



State of Mississippi

OFFICE OF THE STATE AUDITOR
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TO THE GOVERNING AUTHORITIES OF ALL MISSISSIPPI MUNICIPALITIES

We are pleased to provide the fifth edition of the Municipal Audit and Accounting Guide. This guide is published by this office in cooperation with the Center for Governmental Technology, Community Development Department, Cooperative Extension Service of Mississippi State University.

Mississippi laws charges this office with prescribing various accounting procedures, policies and forms for use by all Mississippi municipalities. Accordingly, the procedures presented in this guide are prescribed and are effective immediately.

Special attention has been given to providing municipal officials a guide that is easy to understand and follow. This guide should be reviewed by all appropriate officials and placed on file with the municipal clerk.

Sincerely,

Phil Bryant
Auditor

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SECTION I - MUNICIPAL BUDGETING

State laws require all municipalities adopt and base their operations on a budget. These laws require specific budgetary procedures and require the State Auditor to regulate the process.

This section of the guide explains budgetary requirements and procedures.

A. INTRODUCTION

B. THE BUDGETARY PROCESS (PROPOSED BUDGET CALENDAR)

C. LEGAL REQUIREMENTS

D. PUBLIC BUDGET HEARING

E. BUDGET REGULATIONS

F. BUDGET FORMS

G. BUDGET AMENDMENT REGULATIONS

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INTRODUCTION

Mississippi law requires municipalities to adopt a formal budget. Generally, a budget is a plan of action for a fiscal year representing the choices of the governing authorities as to how the municipality will allocate its limited resources among various competing demands. The budget also serves to justify the need to levy taxes for the support of municipal operations.

Many different kinds of budgets exist, each designed for different purposes. However, Mississippi law requires municipalities to use a particular type of budget and employ specific budgetary procedures. Municipal governing authorities may adopt additional budgetary controls and monitoring procedures, so long as legally required procedures are followed. A useful working definition of this particular budget is:

A statement by fund of estimated receipts, disbursements, and balances for the next fiscal year, accompanied by other information that helps understanding of the fund statements and the municipality's overall financial picture.

As a collection of financial decisions, a budget becomes a detailed plan of operations and capital outlay for the fiscal year. The budget includes the activities and services the municipality plans to provide its citizens during the fiscal year; physical improvements such as streets, water systems and buildings the municipality plans to construct (all or part of) during the fiscal year; the expenditures required to support these operations and capital projections; and the resources available for meeting the planned expenditures. The budget also addresses such policy issues as debt service needs, cash management, purchasing requirements, and taxation and other revenue levels and rates imposed upon local taxpayers.

The following chart demonstrates how the budget provides important information on governmental financial policies and practices for a variety of users.

<u>Users</u>	<u>Information</u>	<u>Purpose</u>
The Public	An opportunity to learn about and understand the government's public service programs and policies	Accountability
Governing Body	An opportunity to judge the adequacy of operating programs, to establish level of services to be rendered to the public, and to provide input into the budgetary process	Control
Departments of the Governmental Unit	An opportunity to justify the department's programs and operations, to propose changes in services, and to recommend changes in organization and methods	Planning
Fiscal Financial Officers/ Comptroller/ Administrators	An opportunity to review organization, methods and procedures; to initiate improvements; and to select problems for intensive study	Control and Management
Grantors/ Legislators/ Investors/Etc.	An opportunity to review the various programs of a government and their costs and financial position for decision making purposes	Decision Making

THE BUDGETARY PROCESS

An effective budget is best developed by employing a deliberate building process. The recommended process encompasses a number of different activities and decisions over a period of several months, the end result of which is the annual budget. The "Proposed Budget Calendar" presents the budgetary process.

The stages of the recommended budgetary process are:

Starting the process

Preparing departmental budget requests

Reviewing of departmental budgets by the municipality's governing authority

Preparing the recommended annual budget

Adopting and implementing the budget

Each budgetary process stage encompasses a number of activities and/or decisions. Responsibility for carrying out the activities and making the decisions vary among governmental units, financial administrators and various departments of governmental units. The governing authority is responsible for all policy decisions, including setting budgetary guidelines and adopting the annual budget. The governing authority is responsible for preparing revenue estimates, reviewing departmental budget requests, preparing a recommended annual budget and implementing the adopted annual budget. The departments of the governmental unit are responsible for preparing and submitting appropriation requests for the ensuing budget year.

The budget process normally takes place over a period of several months. The Proposed Budget Calendar provides for a five month budgetary period but this schedule can be adjusted to meet the needs of individual municipalities. However, adequate time must be provided so that the various budget activities can be carried out and decisions made after proper review and consideration.

Budgeting is only one of many financial policy control mechanisms but it is the most basic and, therefore, the most important. Municipal governments provide services to people, and the financing of these services must be properly planned and controlled in order to achieve the maximum efficiency, economy and effectiveness of the use of governmental financial resources; to minimize the tax burden upon local citizens; to comply with applicable state law, contractual provisions and professional financial management practices; and to assure that the government's financial position is sound.

The municipal budgetary process should be a "building blocks" approach to development of the budget. Budget information is developed in a set of basic budget documents for estimating revenues and departmental requests for expenditures.

The initial step in the budgetary process involves estimating the amount of revenues which can be expected to be available for the coming fiscal year, setting budgetary guidelines, and transmitting this information, together with the budget forms, to the municipal departments. This preliminary work sets the stage for later decisions to be made by the municipal departments, the municipal administration and the governing authorities.

At the July meeting each year, the municipal departmental budgets should be submitted for approval by the governing authorities.

The clerk/administrator is usually responsible for the next step in the budget process, which is developing a proposed budget for the individual funds.

The total proposed budget should be presented at the August meeting of the board/council each year and should be published at least one time during September. At least one (1) public hearing must be held at least one (1) week prior to the final official adoption of the budget by September 15 [Section 21-35-5, Miss. Code Ann. (1972)].

During the budgetary process, the governing authorities are responsible for preparing a statement showing every source of revenue, the amount received from each source through the last complete month of the current fiscal year and a projection for the entire current year [Section 21-35-5, Miss. Code Ann. (1972)].

The budget is presented in a format prescribed by the State Auditor, and all funds which require expenditure authorization from the governing authorities must be budgeted individually and amended by fund [Sections 21-35-7, 21-35-9 and 21-35-25, Miss. Code Ann. (1972)].

After the budget is completed, the board must, by resolution, adopt and approve the budget and enter it in detail upon the minutes [Section 21-35-9, Miss. Code Ann. (1972)].

At each regular monthly meeting of the governing authorities, the clerk is to submit a financial report showing the expenditures and liabilities incurred against each separate budget item during the preceding month. This report is to also show the unexpended balance of each budget item and the unencumbered balance in each fund. During each meeting, the clerk must set forth the receipts from all taxes and fees collected from all sources during the preceding month [Section 21-35-13, Miss. Code Ann. (1972)].

The governing authorities are to stay within the spending limits set by the budget and annual revenue. The amount appropriated and authorized to be expended for any item in the budget must not exceed the amount estimated [Sections 21-35-15 and 21-35-17, Miss. Code Ann. (1972)].

The following "Proposed Budget Calendar" establishes a common-sense schedule to complete the budget process and comply with legal requirements.

Proposed Budget Calendar

<u>Date</u>	<u>Process</u>
May Board Meeting	Formulate budget policy (governing authorities)
May - Presentation to the Governing Authorities	Develop financial forecast (budget officer)
June Board Meeting	Distribute departmental request forms and notify of due date (budget officer)
July Board Meeting	Deadline for return of departmental request
August Board Meeting	Act on request of departmental budgets (governing authorities)
August Board Meeting	Publish notices of public budget hearing and of availability of the budget for inspection before hearing
August (15-30)	Hold public hearing on budget
August (15-30)	Review the anticipated tax levy to determine whether public notice is required on any levy
September (1-15)	Adopt budget no later than September 15
September (1-15)	Set tax levies necessary to support the adopted budget
September (1-30)	Publish budget at least one time, or post in three public places, if less than 1,500 inhabitants
September (15-30)	Write-up and reproduce budget as adopted (budget officer)
September (15-30)	File budget with the municipal clerk
September (15-30)	Give public notice of availability of budget for inspection (budget officer)

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LEGAL REQUIREMENTS

Mississippi laws require municipalities follow very specific budgetary procedures. These laws attach a wide range of conditions to the preparation and use of the municipality's budget. The following law overview should help the reader to achieve a general understanding of legal requirements. For specific information on legal requirements, references to the related Mississippi Code Sections are provided.

Planning Process Basics

Source of Authority

Statutory -- "Municipal Budget Law" -- Section 21-35-1, Miss. Code Ann. (1972), Chapter 35 of Title 21 contains the statutory requirements that municipalities must follow.

Regulatory -- Section 21-35-29, Miss. Code Ann. (1972), authorizes the State Auditor to regulate the municipal budget process.

Funds Which Must be Budgeted -- Sections 21-35-5 and 21-35-9, Miss. Code Ann. (1972)

Funds receiving revenues to the municipality.

Funds which will require approval from the board/council for expenditure.

Proprietary funds (utility systems, etc.).

Municipal Reserve Fund, see Section 21-35-22, Miss. Code Ann. (1972).

Funds confiscated and forfeited in connection with drug and liquor cases, see Sections 41-29-181 and 41-29-185, Miss. Code Ann. (1972).

Funds Which do not Have to be Budgeted --

Fiduciary type funds do not require board approval to make disbursements.

These include various clearing funds (payroll, state court assessments, etc.).

Municipal Reserve Fund - Section 21-35-22, Miss. Code Ann. (1972)

A municipal reserve fund is a fund to hold money in reserve for other funds for a fiscal year's unanticipated expenditures which were otherwise not budgeted.

These funds may only be spent by board order for reserve purposes;

and as limited by the source of the reserve fund revenue.

Interest earned on fund investments must be credited to the reserve fund.

Mandatory Fiscal Year -- Section 21-35-3, Miss. Code Ann. (1972), requires an October through September 30 fiscal year.

Content of Budget -- Section 21-35-5, Miss. Code Ann. (1972)

Revenues which are to be credited to the budget. Revenues must be defined to the minimum level prescribed by the State Auditor.

Expenditures which are to be charged to the budget. Expenditures must also be defined to the minimum level prescribed by the State Auditor; this would be the purpose level.

Caution: Liability occurs if the budget is exceeded at the lowest level adopted.

Working cash balance (beginning and ending including investments).

This balance may be budgeted for the purpose of preventing cash flow problems during the next fiscal year.

Ad valorem taxes may not be levied to accumulate capital for future years' capital projects.

A statement showing the aggregate revenues collected and expenditures made during the current fiscal year.

Basis of Budget -- Section 21-35-23, Miss. Code Ann. (1972)

Revenues which are legally receipted (cash basis) from October 1 through September 30 may be credited to the budget.

Expenditures which may be charged to the budget are those which were legally budgeted, incurred prior to the end of the fiscal year, and disbursed during the fiscal year or within 30 days thereafter; if not paid within this period, they may be budgeted again for payment in the next fiscal year.

Expenditures for uncompleted improvements in progress of construction may be charged to the budget at any time.

Preparation Requirements

Budget Forms -- Section 21-35-7, Miss. Code Ann. (1972)

The budget must be prepared on forms prescribed by the State Auditor; these forms are published in the “Budget Adoption Process” section of this guide.

Section 21-35-5, Miss. Code Ann. (1972)

The budget must be adopted on the board/council's minutes by September 15.

Section 21-35-9, Miss. Code Ann. (1972)

A public hearing must be held at least one week prior to adoption of the budget.

The budget and the statement of current revenues and expenses must be published at least once in September.

Municipalities with a population of 1,500 or more: publish in a newspaper published in the municipality (in the county, if none in the municipality).

Municipalities with a population of less than 1,500: publish by posting in at least three public places in the municipality.

Additional Adoption Process – Section 27-39-203, Miss. Code Ann. (1972)

Applies if the budget includes an increase in ad valorem taxes.

Requires a specific public hearing and notice publication.

May be combined with ad valorem tax levy increase hearing and notice required by

Section 27-39-205, Miss. Code Ann. (1972)

Accounting and Budgets

Accounting Records -- Section 21-35-11, Miss. Code Ann. (1972)

The records must conform to the system prescribed by the State Auditor in this guide.

The records must correspond to the budget line items and basis of accounting.

The city clerk must maintain the records and is liable for damages to the municipality if records are not maintained as required.

A municipality may keep any additional records that it may have a need for.

Monthly Budget Report -- Section 21-35-13, Miss. Code Ann. (1972)

The city clerk must prepare a monthly report to the governing authorities showing for each budgeted fund, the expenditures and liabilities incurred against the budget during the prior month and year-to-date, with like information for receipts and unencumbered balances.

Budget Revisions -- Section 21-35-25, Miss. Code Ann. (1972)

When Budgets are Revised

The budget may be revised at any time, except the governing authority is limited to one revision during the first three months of its term of office.

The budget must be revised at the first meeting in July and every year thereafter, if it appears that budgeted revenues will not materialize.

Budget Revision Publication Requirement

Budget revisions resulting in more than a 10 percent change in a department's originally adopted budget must be publicized in the same way the municipality published its original budget. The publication must explain the revision, including amounts, need and purpose.

Emergency Expenditures -- Sections 21-35-19 and 21-35-21, Miss. Code Ann. (1972)

The governing authority may, by unanimous vote, revise the budget without any public hearings or notice, if an emergency situation exists as defined in Section 21-35-19, Miss. Code Ann. (1972).

Money may be borrowed to keep the budget in balance.

Expenditure Limitations and Liabilities

Exceeding the Budget Limitation -- Section 21-35-15, Miss. Code Ann. (1972)

Expenditures shall not exceed budget estimates, measured at the lowest level adopted in the budget, except for capital outlay, election expenses and payment of emergency warrants.

Personal Liability for Exceeding the Budget

Personal liability exists for expenditures made, liabilities incurred, or warrants issued, except upon proper court order or emergencies in excess of the budget (measured at the lowest level adopted in the budget) [Section 21-35-17, Miss. Code Ann. (1972)].

Officials making or incurring excess expenditures or issuing warrants are liable personally and upon their official bonds.

Governing authority members approving excess claims are liable for twice the amount of the claims.

City clerks and governing authorities issuing excess warrants are liable for twice the amount of the claims.

Special Compliance Requirements

Last Year of Term Expenditure Limitation -- Section 21-35-27, Miss. Code Ann. (1972)

The governing authority is prohibited from charging against the budget more than one-fourth of any item of the original budget from April through July of the last year of its term of office, and the city clerk is prohibited from issuing a warrant in violation of this provision. This prohibition does not apply to purchases made which are subject to Section 31-7-13, Miss. Code Ann. (1972).

Annual Audit of Municipality -- Section 21-35-31, Miss. Code Ann. (1972) (see Section IV of this guide)

Every municipality must contract an audit within 12 months of the end of the fiscal year (no bid solicitation required).

The auditor must be a CPA or an auditor approved by the State Auditor.

The audit must be performed and reported as required by the State Auditor.

A compilation option is available to municipalities with a population of 3,000 or less declaring the cost of an audit creates a financial hardship.

A synopsis of the audit must be published or notice published with posting in three places of the audit report.

Criminal Penalty -- Section 21-35-33, Miss. Code Ann. (1972)

Any person violating any provision of Chapter 35 of Title 21 is guilty of a misdemeanor, in addition to any other legal penalties.

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PUBLIC BUDGET HEARING

Routine Public Hearing Requirement

Section 21-35-5, Miss. Code Ann. (1972), requires municipal governing authorities hold a public hearing at least one week prior to the adoption of the final budget. Notice of this hearing must be published in the same manner as the municipality is required to publish its final budget. This means the notice must be published in a municipal newspaper (county newspaper, if no newspaper exists in the municipality); or for municipalities with a population of less than 1,500, posted in three public places in the municipality. The proposed budget is not required to be published.

The format for this notice may be as follows:

A public hearing will be held on (Date) to provide the general public with an opportunity to comment on the taxing and spending plan incorporated in the proposed budget of (Municipality) for the fiscal year beginning October 1, 20XX, and ending September 30, 20XX. The meeting will be held at (Place) at [Time (must be outside normal working hours)]. All interested citizens are encouraged to attend and comment.

Additional Public Hearing Requirement (Ad Valorem Tax Increase Proposed)

Section 27-39-203, Miss. Code Ann. (1972), requires municipal governing authorities preparing a budget containing an ad valorem tax revenue that will require an ad valorem tax increase to hold a special public hearing on the proposed budget. The requirements for this public hearing are different from those required under Sec. 21-35-5, Miss. Code Ann. (1972). Notice of the hearing must be made by advertisement published once each week for the two week period preceding the adoption of the budget; and the hearing must be no less than seven days after the day of the first advertisement. (To comply with both public hearing laws timing of the public notices, hearing and budget adoption must be carefully planned.)

The form of the public notice is specified by Section 27-39-203, Miss. Code Ann. (1972); however, the notice may be modified to combine the public notice (and hearing) required by Section 27-39-205, Miss. Code. (1972) when an ad valorem tax levy increase is proposed. Further, additional information may be published in the hearing notices; such as explanations for increases. This notice format may take the place of the Section 21-35-5, Miss. Code Ann. (1972) notice suggested above. This notice must be published in a newspaper as qualified in Section 27-39-205, Miss. Code (1972); and may not be posted as an alternative, regardless of population.

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BUDGET REGULATIONS

Section 21-35-29, Miss. Code Ann. (1972), empowers the State Auditor to prescribe rules, regulations and classifications necessary to carry out the provisions of the municipal budgeting laws. Accordingly, the following regulations are prescribed.

Budget Detail

The minimum detail of the finally adopted budget is fund, department and purpose. This means there must be a separate budget for each fund; with amounts of money detailed for revenue items, departmental purposes and working cash balances. The following definitions apply to these terms. Examples of this detail may be found in the operating accounts prescribed in the municipal accounting system in section II of the guide.

Budgeted Fund Definition

For purposes of budgeting, a fund is any account established to hold revenues of the municipality available for expenditure by the municipal governing authorities. Separate funds should be set up as required by law and to account for restricted purpose and continuing revenues. Funds not subject to expenditure by the municipal governing authorities should not be budgeted; such as trust or agency funds (clearing accounts, etc.). Note: Legal fund revenues may not be excluded from claim obligations by setting them aside as separate funds.

Budgeted Revenue Definition

For purposes of budgeting, revenue means cash receipts to a fund defined in sufficient detail to show the nature of the revenue. This means definition by type of tax, fee, grant, loan, etc..

Budgeted Department Definition

A department is established by budgeting money within a fund for expenditure for a function prescribed by state law or legal order of the municipal governing authorities. Departments must be established so that responsibility for exceeding a department's budget vest with one officer or the board or council [see Section 21-35-17, Miss. Code Ann. (1972)].

Some departments must be budgeted as separate departments as a matter of funding the ability of a statutory officer to perform statutory functions. Examples are police department, fire department, court department, municipal clerk's department, and mayor's departments [ex: Sections 21-21-1, 21-25-1, 21-23-11, 21-15-21, and 21-3-15, Miss. Code Ann. (1972)].

Some obligations and appropriations of municipalities are by state law or municipal policy the direct responsibility of the municipal board or council. In these cases a municipal department budget under the direct responsibility of the board or council may be established. Only the board or council may initiate charges against this type of budget. Board or council departments are typically for special purpose functions; such as to make money available for debt service, transfers and donations and similar appropriations.

Budgeted Department Purpose Definitions

The total amount available to each separately budgeted municipal department must be presented by purpose. The following defined purposes (as appropriate) are the minimum acceptable breakdown of a department's budget.

Personnel Services

Employee or officer salaries or compensation and their benefits.

Contractual Services

Work or benefits provided.

Supplies

Material items provided.

Grants, Subsidies and Allocations

Appropriations and donations to others. Appropriations from a municipal fund to another entity when no obligation exist. Examples: Sections 17-3-3, 21-19-65, 43-1-12, 17-19-1 Miss. Code Ann. (1972). Caution: Section 66 & 96 Miss. Constitution and Section 21-17-5 Miss. Code Ann. (1972) limit authority to donate.

Debt Service

Principal debt and interest on debt. Example: Section 21-33-87, Miss. Code Ann. (1972)

Capital Outlay

Material items providing benefits beyond a budget year.

Transfers and Other Functions

Transfers are appropriation of money from one fund to another. Examples: Section 27-105-367 and 21-33-59 Miss. Code Ann. (1972). Other functions are all other charges to cash, such as thefts.

Working Cash Definition

A budgeted ending cash and investment balance in a fund sufficient to meet cash flow requirements of the next fiscal year. This budget item is necessary when budgeted revenues will not be realized until after expenditure requirements; such as bond maturities early in a fiscal year. Note: Sections 21-33-325 & 21-33-326 Miss. Code Ann. (1972) provide for certain revenue anticipation loans.

Year End Accrual to Budget

Section 21-35-23, Miss. Code Ann. (1972) allows disbursements made within 30 days after September 30 to be charged to the budget. This provision applies to obligations incurred prior to the end of the fiscal year and intended (appropriated) to be paid from that year's budget. To qualify for this charge back, the claim for payment (Section 21-39-9, Miss. Code Ann.) must be approved and the check for payment dated no later than October 30.

If for some reason budgeted obligations cannot be paid by October 30, the next year's budget should be revised (Section 21-35-25, Miss. Code Ann.) to provide for the payment after October 30. As a result of not charging the prior year's budget, additional cash is carried over to the new year's budget (beginning cash balance). This cash is then available to fund the budget revision.

Line Item Budgets

These regulations require municipal budgets to be adopted by fund, department and purpose. A municipal board or council may adopt a budget in greater detail, such as to the object level (line item). However, it should be noted the penalty for exceeding the budget [Section 21-35-17, Miss. Code Ann. (1972)] applies at the lowest level adopted.

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BUDGET FORMS

Sections 21-35-7 and 21-35-29, Miss. Code Ann. (1972), require the Office of the State Auditor to prescribe the form of the budget. The following final budget forms are prescribed for this purpose and must be used for all budgets and budget revisions.

These forms may be removed from this manual and duplicates made for use in budget preparations. The originals should be replaced into the manual for future use. Municipalities may also substitute substantially equivalent forms to satisfy local preference and information requirements. The budget may also be developed and adopted by substituting electronically generated forms as provided by Section 75-12-13 Miss. Code Ann. (1972).

These forms also include a column for “Estimated Total For Current Fiscal Year”. Section 21-35-5, Miss. Code Ann. (1972) requires publication of the final budget, including a statement of revenues and expenses. This column should satisfy the information required by this statute. The estimated total for the current fiscal year should be the total of the available current year’s actual and estimated revenues and expenditures. These figures provide a comparison of the coming year’s budget to a projection of the current year’s actual revenues and expenditures.

The following worksheet forms are provided for the convenience of the municipality to assist in the development of the final budget; and are not required to be adopted as part of the final budget.

Budget Worksheet #1

DEPARTMENTAL PERSONNEL SERVICES REQUEST

Fiscal Year Ending _____

DEPARTMENT:

A. Personnel Costs

Positions	Requested Annual Salary	Approved Annual Salary
1.	\$	\$
2.		
3.		
4.		
5.		
6.		
7.		
8.		
9.		
10.		
11.		
12.		
13.		
14.		
15.		
TOTAL	\$	\$

Budget Worksheet #1 - (Cont'd)**DEPARTMENTAL PERSONNEL SERVICES REQUEST****Fiscal Year Ending _____****B. Employer Costs**

	Requested Annual Salary	Approved Annual Salary
1. FICA	\$	\$
2. Retirement		
3. Group Insurance		
4. Unemployment Insurance		
5. Workers' Compensation		
6. Other		
TOTAL	\$	\$

C. Summary

	Requested Annual Salary	Approved Annual Salary
1. Total Personnel Costs	\$	\$
2. Total Employer Costs		
TOTAL	\$	\$

Budget Worksheet #2**DEPARTMENTAL CONTRACTUAL SERVICES REQUEST****Fiscal Year Ending _____****DEPARTMENT:** _____

Item	Requested	Approved
1.	\$	\$
2.		
3.		
4.		
5.		
6.		
7.		
8.		
9.		
10.		
11.		
12.		
13.		
14.		
15.		
16.		
17.		
18.		
19.		
20.		
TOTAL	\$	\$

Budget Worksheet #3**DEPARTMENTAL SUPPLIES REQUEST****Fiscal Year Ending _____****DEPARTMENT:** _____

Item	Requested	Approved
1.	\$	\$
2.		
3.		
4.		
5.		
6.		
7.		
8.		
9.		
10.		
11.		
12.		
13.		
14.		
15.		
16.		
17.		
18.		
19.		
20.		
TOTAL	\$	\$

Budget Worksheet #4

DEPARTMENTAL CAPITAL OUTLAY REQUEST

Fiscal Year Ending _____

DEPARTMENT: _____

Item	Requested	Approved
1.	\$	\$
2.		
3.		
4.		
5.		
6.		
7.		
8.		
9.		
10.		
11.		
12.		
13.		
14.		
15.		
TOTAL	\$	\$

Budget Worksheet #5

DEPARTMENTAL BUDGET SUMMARY

Fiscal Year Ending _____

DEPARTMENT: _____

1. Personnel Services	\$
2. Contractual Services	
3. Supplies	
4. Capital Outlay	
TOTAL	\$

Budget Worksheet #6**DEBT SERVICE SCHEDULE****Fiscal Year Ending _____**

(Type of Issues: General, Revenue, Other)

Issue	Bond Redemption	Interest Paid	Other Charges	Total
1.	\$	\$	\$	\$
2.				
3.				
4.				
5.				
6.				
7.				
8.				
9.				
10.				
TOTAL	\$	\$	\$	\$

Budget Worksheet #7

**GRANTS, SUBSIDIES AND ALLOCATIONS SCHEDULE
(Appropriations and Donations,
Fiscal Year Ending _____**

DEPARTMENT(S): BOARD/COUNCIL

Who or Where Paid	Purpose - Reason	Authority	Total
1.			\$
2.			
3.			
4.			
5.			
6.			
7.			
8.			
9.			
10.			
TOTAL	\$	\$	\$

Budget Worksheet #8

TRANSFERS AND OTHER FUNCTIONS SCHEDULE
(Transfers and Cash Charges)
Fiscal Year Ending _____

DEPARTMENT(S): BOARD/COUNCIL

Fund Charged	Fund (or other) Receiving	Function (Transfer or Other)	Explanation for Transaction	Total
1.				\$
2.				
3.				
4.				
5.				
6.				
7.				
8.				
Total Transfers				
Total Other 1				
Total Other 2				

(MUNICIPALITY)

(Fund)

BUDGET OF ESTIMATED REVENUES AND EXPENDITURES

For the Fiscal Year Ended September 30, 20__

	<u>Final Budget For Next Fiscal Year</u>	<u>Estimated Total For Current Fiscal Year</u>
RECEIPTS		
License and Permits	\$ _____	\$ _____
Intergovernmental Revenues:		
Federal Grants	_____	_____
Federal Shared Revenues	_____	_____
Federal Payments in Lieu of Taxes	_____	_____
State Grants	_____	_____
State Shared Revenues	_____	_____
Grants from Local Units	_____	_____
Charges for Governmental Services:		
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
Fines and Forfeits	_____	_____
Miscellaneous:		
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
Charges for Utility Services:		
_____	_____	_____
_____	_____	_____
_____	_____	_____

	Final Budget For Next Fiscal Year	Estimated Total For Current Fiscal Year
Transfers		
Non-Revenue Receipts		
Total from All Sources, Other Than Taxation		
Beginning Cash and Investment Balance		
Total Receipts Other Than Ad Valorem Tax		
Amount to be Raised by Ad Valorem Tax		
TOTAL FROM ALL SOURCES	\$ <u> </u>	\$ <u> </u>

DISBURSEMENTS

_____ Department:

Personnel Services	\$		\$	
Supplies				
Contractual Services				
Capital Outlay				
Total				

_____ Department:

Personnel Services		
Supplies		
Contractual Services		
Capital Outlay		
Total		

	Final Budget For Next Fiscal Year	Estimated Total For Current Fiscal Year
_____ Department:		
Personnel Services	_____	_____
Supplies	_____	_____
Contractual Services	_____	_____
Capital Outlay	_____	_____
Total	_____	_____
_____ Department:		
Personnel Services	_____	_____
Supplies	_____	_____
Contractual Services	_____	_____
Capital Outlay	_____	_____
Total	_____	_____
Board/Council Department:		
Grants, Subsidies and Allocations:		
1. _____	_____	_____
2. _____	_____	_____
Transfers:		
1. _____	_____	_____
2. _____	_____	_____
Other Functions:		
1. _____	_____	_____
2. _____	_____	_____
Total	_____	_____
Total Disbursements	_____	_____
Ending Cash and Investment Balance	_____	_____
TOTAL DISBURSEMENTS AND ENDING BALANCE	\$ _____	\$ _____

(MUNICIPALITY)

(Fund)

BUDGET OF ESTIMATED REVENUES AND EXPENDITURES

For the Fiscal Year Ended September 30, 20__

	<u>Final Budget For Next Fiscal Year</u>	<u>Estimated Total For Current Fiscal Year</u>
RECEIPTS		
Rent	\$ _____	\$ _____
Interest Earned	_____	_____
Miscellaneous (Other)	_____	_____
Transfers	_____	_____
Non-Revenue Receipts	_____	_____
Total from All Sources, Other Than Taxation	_____	_____
Beginning Cash and Investment Balance	_____	_____
Total Receipts Other Than Ad Valorem Tax	_____	_____
Amount to be Raised by Ad Valorem Tax	_____	_____
TOTAL FROM ALL SOURCES	\$ <u> </u>	\$ <u> </u>

Final Budget
For Next
Fiscal Year

Estimated Total
For Current
Fiscal Year

DISBURSEMENTS

_____ Bonds:

Bonds Redeemed	\$ _____	\$ _____
Interest on Bonds	_____	_____
Paying Agent Fees	_____	_____

_____ Notes:

Note Principal	_____	_____
Interest on Notes	_____	_____
Paying Agent Fees	_____	_____

Total Disbursements	_____	_____
Ending Cash and Investment Balance	_____	_____

**TOTAL DISBURSEMENTS AND
ENDING BALANCE**

\$ _____	\$ _____
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BUDGET AMENDMENT REGULATIONS

Section 21-35-25, Miss. Code Ann. (1972), provides for the revision of the final adopted budget. This law allows governing authorities to revise the budget at any time. The only exception is that no revision may be made during the first three months of a new term of office unless a deficit is indicated; then one revision may be made no later than the last regular meeting in August.

It is mandatory that the governing authorities revise the budget (at a regular board meeting) to bring it into proper balance at any time it appears revenues will not materialize and a deficit is indicated. This mandatory revision must be made prior to the regular July meeting.

Public notice must be provided when budget amendments result in a 10 percent increase or decrease in a municipal department's total budget. For purposes of determining if a 10 percent change has occurred, all amendments made to a department's budget since its budget was originally adopted, or since the last adopted published revision, must be added together.

The method of providing public notice for revisions is the same as the municipality must use for publication of its final adopted budget [Section 21-35-5, Miss. Code Ann. (1972)]. This means authorities must publish it in a municipal newspaper, or, for municipalities with a population of less than 1,500, post it in three (3) public places.

The public notice must contain a description of the amendment, the amount of money and funds affected, a detailed statement explaining the need and purpose of the amendment, and the vote of each member of the municipality's governing authority on each amendment. It is not necessary to publish the entire budget, only the portions affected by the budget amendments.

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SECTION II - ACCOUNTING SYSTEM

Sections 7-7-211, 21-35-11 and 21-39-5, Miss. Code Ann. (1972), provide the State Auditor will prescribe systems of accounting for municipalities. The accounting system presented in this section is prescribed for use by all municipalities.

ACCOUNTING SYSTEM

A. ACCOUNTING GUIDELINES AND RECORDS SYSTEM

- Purpose of Accounting System
- Responsibility for the Accounting System
- Funding the Accounting System
- Public Access to Accounting Records
- Budgetary Support of Accounting Records
- Accounting System Fiscal Year
- Accounting System Basis of Accounting
- Accounting System Required Records
- Ledgers
- Doubtful Accounts
- Cash Funds
- Cash Receipt Warrants
- Cash Disbursement Warrants or Checks
- Cash Receipts Journal
- Cash Disbursements Journal
- Cash Receipts and Disbursements Ledger
- Municipal Clerk's Monthly Cash Budget Report

B. CLASSIFICATION AND CHART OF ACCOUNTS SYSTEM

- Purpose of Chart of Accounts
- Chart of Accounts Number System
- How the Chart of Accounts Works
- First Three Digits of Chart of Accounts
- Definitions: Fund and Account Groups
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- Account Extensions
- Example of Account Extensions
- Summary of Chart of Accounts Classifications
- Classification of Fund and Account Group Numbers
- Classification of Program and Department Function Numbers
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C. PROPERTY ACCOUNTING SYSTEM

- Introduction to Fixed Assets
- Classification of Fixed Assets
- Data Elements of Fixed Assets
- Guidelines to Develop Cost of Fixed Assets
- Equipment Accounting Procedures
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- Form - Fixed Asset Inventory Ledger:
 - Land
 - Buildings
 - Infrastructure and Improvements Other Than Buildings
 - Construction in Progress
 - Mobile Equipment
 - Other Furniture and Equipment
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ACCOUNTING GUIDELINES AND RECORDS SYSTEM

Purpose of Accounting System

A properly operating municipal accounting system must comply with Mississippi legal requirements. These requirements are intended to provide a system that will present information to the officers and employees of the municipality for the proper operation and management of the municipality. The system is also designed to provide the public, municipal auditors, and regulatory agencies, such as the Office of the State Auditor, information they may require.

Responsibility for the Accounting System

Section 21-35-11, Miss. Code Ann. (1972), requires the clerk of the municipality open and keep the books and records of the accounting system. This means the municipal clerk is responsible for the accounting records and at all times should assure they are secure from loss, damage and alteration.

Funding the Accounting System

Governing authorities should provide for funding for accounting records within the municipal clerk's department. The cost of accounting records should be paid from the municipal general fund.

Public Access to Accounting Records

Section 21-35-11, Miss. Code Ann. (1972), requires accounting records to be available for inspection by any citizen during regular office hours. The open records laws [Chapter 61 of Title 25, Miss. Code Ann. (1972)] also require books and records must be available to the public for inspection and copying. Municipal authorities should review the open records laws and develop appropriate policies.

Budgetary Support of Accounting Records

Section 21-35-11, Miss. Code Ann. (1972), makes clear the primary objective of accounting records is to present financial information in such a way the status of the budget can be easily determined by anyone comparing the records to the adopted budget. This law requires the books must contain, under headings, accounts corresponding with those adopted in the municipal budget. These accounts should make clear the purpose of each expenditure and source of each item of revenue.

Accounting System Fiscal Year

Accounting records must be maintained on an October 1 through September 30 fiscal year. This is necessary for financial information to be comparable with the municipal budget [Section 21-39-5, Miss. Code Ann. (1972)].

Accounting System Basis of Accounting

Accounting records must be maintained on a cash basis. This means transactions are recorded when cash is received or disbursements are made during the fiscal year. The only exception to this rule is if claims are received prior to the end of the current fiscal year and paid within thirty days after the end of the current fiscal year, these payments may be recorded within the current fiscal year's records. As with the fiscal year requirement, this is also necessary for the financial information to be comparable with the municipal budget [Section 21-35-23, Miss. Code (1972)].

Accounting System Required Records

Certain records must be maintained by all municipalities. The following list explains what these record requirements are and their minimum content. It should also be understood any other records required by law or other regulation must also be maintained, even though they may not be included in this list.

The design and overall content of these records may also vary with the needs of each municipality. Records may be maintained manually or electronically as provided by Section, 75-12-13, Miss. Code(1972).

Municipalities may maintain any additional records they deem appropriate for their needs. Additional records may be necessary to meet reporting requirements associated with grants, loans, contracts or federal law.

Ledgers

Records of the municipality's assets and liabilities must be maintained. This means a separate ledger must be maintained to define each of the municipality's asset and liability classifications. The ledger must contain sufficient information to define the nature and source of individual assets or liabilities listed. This requirement is to cover classifications such as receivables, investments and debt obligations which are not otherwise covered in this guide, state law or other regulations.

Doubtful Accounts

Municipal governing authorities may determine the collection of certain receivables is doubtful. Such a finding may be required for financial reporting purposes. However, records of doubtful receivables must be maintained. (Section 100, Miss. Constitution prohibits the forgiving of receivables without legislative authority.)

Cash Funds

A cash fund is established to account for designated receipts and disbursements. This accountability is necessary to demonstrate compliance with legal or other restrictions. The total number of funds should be kept to a minimum by placing revenues in funds with similar purposes; for example, funds available for all legal municipal purposes should be placed in the General Fund. A special fund must be set up to account for any continuing revenue item with legally restricted expenditures; for example, proceeds of special ad valorem tax levies, state insurance rebate receipts, littering fines, etc.. A separate bank account is not necessary for a fund, unless required by law or contractual obligation.

Cash Receipt Warrants

All cash collections must be documented by the issuance of receipt warrants. Receipt warrants must be pre-numbered and accounted for; provide space for date issued, amount of money received, from whom money was received, to what funds money was deposited, purpose of money received and signature of municipal official who issued the receipt warrant. The receipt warrant must also contain sufficient copies to provide for a municipal record and a copy for the person(s) or entity who paid the money. Other copies may be necessary, depending upon the needs of the municipality's total accounting system. It is not required that a copy actually be delivered to the payer, unless requested.

Cash Disbursement Warrants or Checks

Sections 21-39-5 and 21-39-13, Miss. Code Ann. (1972), require and explain the legal content of disbursement warrants or checks. Disbursement warrants or checks must be pre-numbered and accounted for; on their faces they must express the date issued, amount of money payable, to whom payable, from what treasury and fund payable, the purpose and municipal minute book authorizing the payment, claim number, seal of the municipality, and space for the mayor (or majority of the board in a mayor-alderman form of government) to sign and the municipal clerk to attest. The disbursement warrant or check must also contain a copy to provide for a municipal record. Other copies of the disbursement warrant or check may be necessary, depending upon the needs of the municipality's total accounting system.

Cash Receipts Journal

All cash receipts must be recorded into a cash receipts journal. This journal must be set up on a fiscal year basis, kept in receipt warrant number order, and totaled monthly with a summary of collections by fund and objective function.

The journal must have separate columns so the entry(s) for each receipt warrant will be recorded to show the receipt warrant date, receipt warrant number, payer and amount(s) received. The journal should also have columns to classify the amounts received by fund(s), functional nature of the receipt and objective function account(s) the money was credited to. It may be necessary to have more than one entry for one receipt number.

Cash Disbursements Journal

All cash disbursements must be recorded into a cash disbursements journal. This journal must be set up on a fiscal year basis, kept in disbursement warrant number order and totaled monthly with a summary of payments by fund, department and objective function.

Due to a special provision in Section 21-35-23, Miss. Code Ann. (1972), claims recorded prior to the end of the fiscal year, but paid within 30 days after the end of the year, may be charged to the month of September. This means the journal is held open for one month to accommodate these disbursements. This process is necessary for accounting records to coincide with the legally adopted budget.

The journal must have separate columns so the entry(s) for each disbursement warrant will be recorded to show the disbursement warrant date, disbursement warrant number, payee, and amount(s) paid. The journal should also have columns to classify the amounts paid by fund(s), department(s), and objective function account(s) to be charged. It may be necessary to have more than one entry for one disbursement warrant. Care should be taken to classify disbursement warrants to the proper funds, departments and objects so compliance with budget laws will be demonstrated.

Cash Receipts and Disbursements Ledger

A cash receipts and disbursements ledger must be maintained. This ledger is designed to present monthly and annual totals of cash received and disbursed.

The ledger is prepared by setting up fund, department and object columns to correspond to those used in the cash receipts and disbursements journals. Each month summarized totals from these journals should be posted to the ledger. At the end of the fiscal year, the postings to the ledger should be totaled.

Municipal Clerk's Monthly Cash Budget Report

Section 21-35-13, Miss. Code Ann. (1972), requires the municipal clerk to prepare a budget report to be presented to the governing authority at the regular meeting each month. This report is intended to provide information to the board/council so it can determine the status of the budget. This information is important for proper management of municipal finances and for the claims approval process. Approval of claims that result in the budget being exceeded could result in liability of the governing authority [Section 21-35-17, Miss. Code Ann. (1972)].

For receipts -- This report should show the total amount received for the fiscal year through the preceding month for property taxes and each other revenue item.

For disbursements -- The report must show the status of each department's budget. This means totals for each item adopted in the department's budget. These totals are as follows:

Charges to each budget item from the beginning of the fiscal year through the end of the previous month -- This means the total of disbursements and any unpaid claims previously approved;

Charges to each budget item for the previous month -- This means the total of disbursements and any unpaid claims approved at the previous month's board/council meeting;

The total balance of each budget item -- This means the total budget item less the charges to the item for the year; and

The total balance of each budget item as it will be should the board/council approve claims currently under consideration.

Other information -- The report may contain such other information as the board/council may request. For example, it is recommended a listing of each municipal fund along with its cash balance be included.

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CLASSIFICATION AND CHART OF ACCOUNTS SYSTEM

Purpose of Chart of Accounts

The classification and chart of accounts system was developed to provide an accounting for expenditures and revenues on a basis consistent with the municipal budget. The system is also designed to provide information necessary for other purposes; such as financial reporting. The accounts in the chart are intended to define purpose of expenditures and source and nature of revenues.

Chart of Accounts Number System

The accounts listed in the chart should be sufficient to meet the needs of most municipalities. Additional accounts may be added and accounts may be subdivided as needed.

Numbers have been assigned to these accounts for organizational purposes and easy reference. Some numbers have not been assigned. Municipal authorities may adopt a different set of numbers for use with this chart of accounts. This may be necessary if the assigned numbers are not flexible enough to meet the needs of the municipality; or are not consistent with the accounting software used by the municipality. If a different set of numbers is adopted for the chart of accounts, the municipality must maintain a reference record to clearly associate each number with the account it represents.

How the Chart of Accounts Works

This is a cash basis system designed to meet the mandatory requirement that a municipality maintain accounting records readily showing the status of compliance with its budget [Section 21-35-11, Miss. Code Ann. (1972)]. The system accounts for cash activity by associating a nine-digit code and extensions to each transaction. The nine digits are separated into three groups of three each, so each transaction will be defined in terms of fund affected, department or function related, and purpose. Extensions separated from the primary number by a decimal point may be added for further classification purposes.

Also included in the system are supplemental (non-mandatory) classifications to account for assets, liabilities, etc.

First Three Digits of Chart of Accounts

The first set of three digits of the nine-digit code identify the fund affected by the financial transaction. The numbers in these three digits are divided into groups to categorize the funds used. Groups are also provided for supplemental accounting for long-term debt and fixed assets. These groups correspond to those normally recognized for governmental reporting purposes.

Fund and Account Groups

General Funds	From 001 to 099
Special Revenue Funds	100 to 199
Debt Service Funds	200 to 299
Capital Projects Funds	300 to 389
Permanent Funds	390 to 399
Enterprise Funds	400 to 499
Internal Service Funds	500 to 599
Private Purpose Trust Funds	600 to 649
Agency Funds	650 to 699
For Future Expansion	700 to 799
Long-term Debt	800
Capital Assets	900

Definitions: Fund and Account Groups

General Fund - To account for the municipal general fund and funds created and budgeted by local option to account for money that could have been accounted for within the General Fund (such as insurance rebate funds or sales tax).

Special Revenue Funds - To account for funds required by law to be accounted for within a separate fund which does not fall within any of these other fund groups (such as proceeds of a special tax levy).

Debt Service Funds - To account for funds designated by law for the repayment of debt (such as a tax levy or assessment to repay bonded debt).

Capital Projects Funds - To account for funds designated by law for capital projects (such as proceeds of any bond issue).

Permanent Funds - To account for funds legally restricted to expenditure of earnings only, and not principal; and where expenditure is for governmental purposes.

Enterprise Funds - To account for utility funds (such as funds required for utility system operations by Chapter 27 of Title 21).

Internal Service Funds - To account for funds received by a municipal department from another municipal department for services rendered (such as a municipal repair shop or legal department).

Private Purpose Trust Funds - To account for funds for trust arrangements where principal and income benefit others (individuals, private organizations, or other governments).

Agency Funds - To account for funds not subject to expenditure control of the municipality's board/council (such as payroll clearing or the employment security trust fund, state court assessments, etc.).

Long-term Debt - A separate group of accounts to be used with the municipality's debt accounting system.

Capital Assets - A separate group of accounts to be used with the property accounting system.

Second Three Digits of Chart of Accounts

The second set of three digits of the nine-digit code identify the department or program affected by the financial transaction. Balance sheet transactions do not use these numbers, and should use three zeros. The numbers in these three digits are divided into groups to categorize the functions of the departments. The following table lists the range of numbers available for departmental or program functions.

Program and Department Functions

Program Functions:

Define as Appropriate

From 001 to 099

Departmental Functions:

General Government

From 100 to 199

Public Safety

200 to 299

Public Works

300 to 399

Health and Welfare

400 to 499

Culture and Recreation

500 to 599

Conservation of Natural Resources

600 to 649

Economic Development and Assistance

650 to 699

Enterprise

700 to 799

Debt Service

800

Interfund Transactions / Other

900

It is required that each budgeted department be accounted for separately so the status of the budget is readily apparent [Section 21-35-11, Miss. Code Ann. (1972)]. A separate number must be assigned to each municipal department. Expenditure transactions must be coded with the department function number of the department whose budget will be charged.

Revenue transactions must also be coded with a program or department function number if the municipality is required to prepare full scope financial statements (See Section IV of this guide). Revenue coding is not required if the municipality qualifies for and elects to prepare a limited scope financial report.

Revenue classification is determined by identifying the department associated with the revenue. If a revenue item is not associated with a department, it should be classified by function. For example fees produced by department activity, grants for the operation of the department, etc. should be classified using that department's number. Revenues that are not associated with specific department function should be classified as general function. Revenues that are not associated with a single department or available for general municipal use may be assigned a separate function number.

The "Summary of Classification of Accounts for Municipalities" provides specific program function numbers to classify each department, and program numbers for revenues not associated with a specific department. The summary also includes a "most probable classification" department or program function number (in parentheses) by the revenue operating account numbers.

Third Three Digits of Chart of Accounts

The third set of three digits of the nine digit code provides for the objective account number. The numbers in these three digits are divided into groups to classify transactions by their nature and at the minimum detail level required for municipal budgeting. These numbers should be assigned to define information required for financial reporting and other purposes to be determined locally.

Objective Functions

Assets and Other Debits	From 001 to 099
Liabilities and Other Credits	100 to 199
Receipts	200 to 399
Disbursements for Personnel Services	400 to 499
Disbursements for Contractual Services	500 to 599
Disbursements for Supplies	600 to 699
Disbursements for Grants, Subsidies and Allocations	700 to 799
Disbursements for Debt Service	800 to 899
Disbursements for Capital Outlay	900 to 949
Transfers and Other Functions	950 to 999

Account Extensions

An account extension is one or more numbers positioned after a decimal at the end of the assigned account number. Extension numbers are used to define separate financial information in an account when it is not practical to establish a separate account.

Municipalities preparing financial statements in accordance with generally accepted accounting principals (see Section IV of this guide) will require additional financial information, such as whether an expenditure is associated with a capital project. Extensions may be used for this purpose or any other good reason; such as tracking special projects, year of agreement, compiling operating cost of particular vehicles or monitoring individual's travel expenses.

Extensions may be added to any of the three classification groups (Fund, Function or Department, or Object). If extensions are used, they must be defined in writing by the municipal clerk and on file in the municipal clerk's office.

Example of Account Extensions

The following example demonstrates use of extensions to the object function code to track capital outlay and special projects. Use of extensions is not limited to this example.

Digit positions must be defined and numbers assigned before the system can work. For this example, assignments are made for the purpose of identifying certain capital project expenditures and/or special project expenditures. The number one is assigned to the first digit if an expenditure is associated with a capital project, the number one is assigned to the second digit if the expenditure is associated with a special project, the number one is assigned to the third digit to indicate capital construction project A, and the number one is assigned to the fourth digit to indicate special disaster project A. The number zero is used if no association is necessary.

First Digit		Second Digit		Other Digits		
.0	Everyday Charges	0		0	0	0
.1	Capital Projects	1	Special Projects	1-9	Project Numbers	
.2-9	Not assigned	2-9	Not assigned			

Note: Numbers that are not assigned could be used to designate other projects. Also, additional digits can be assigned if more project numbers are needed.

Extension Examples - The following three examples demonstrate the use of extensions to the object function code of expenditures for gasoline (number 525).

Every Day Charge:

First example, an everyday disbursement is charged to “General Fund - Public Works Department - Gasoline”. No extension is required since there is no fixed asset or special project to add the cost to.

001-	301-	525	No Extension Required
		Gasoline	
	Public Works		
General Fund			

Capital Project Designation:

Second example, the same type disbursement as example one, but with an extension added to associate the cost with a designated capital project. In this example, the first digit is “one” to signify capital project, the second digit is “zero” since no special project is involve; and the third digit is “one” to identify the specific capital project (construction project A) and the fourth digit is “zero” (or not used) since there is no special project.

001-301-525.	1	0	1	0
				No Special Project
			Construction Project A	
		No Special Project		
Capital Project				

Capital and Special Project Designations:

Third example, the same type disbursement as example two, but with an extension to associate the cost with the designated capital project and a special project (Special Project A). The first digit is “one” to signify capital project, the second digit is “one” to signify association with a special project, the third digit is “one” to identify the specific capital project and the fourth digit is “one” identify the specific special project.

001-301-525.	1	1	1	1
				Special Project A
			Construction Project B	
		Special Project		
Capital Project				

Summary of Chart of Accounts Classifications

Series of Numbers for Funds and Accounts	Fund Number (---)	Department or Function Number (---)	Operating Account Number (---)
Fund and Account Groups: General Funds Special Revenue Funds Debt Service Funds Capital Projects Funds Permanent Enterprise Funds Internal Service Funds Private Purpose Trust Agency Agency Funds For Future Expansion Long-term Debt Accounts Fixed Assets Accounts	001-099 100-199 200-299 300-389 390-399 400-499 500-599 600-649 650-699 700-799 800 900		
Program Functions: Department Functions: General Government Public Safety Public Works Health and Welfare Culture and Recreation Conservation and Natural resources Economic Development and Assistance Enterprise Debt Service Interfund Transactions		001-099 100-199 200-299 300-399 400-499 500-599 600-649 650-699 700-799 800 900	
Objective Functions: Assets and Other Debits Liabilities and Other Credits Receipts Disbursements: Personnel Services Supplies Contractual Services Grants, Subsidies and Allocations Debt Service Capital Outlay Transfers and Other Functions			001-099 100-199 200-399 400-499 500-599 600-699 700-799 800-899 900-949 950-999

Classification of Fund and Account Group Numbers

Fund Accounts	Fund Number (---)	Department Or Function Number (---)	Operating Account Number(---)
GENERAL FUNDS (001-099): Local Source Funds (001-049) General Fund Not Assigned State/Federal Source Funds (050-099) Insurance Rebate Fire Fund Not Assigned	001 002-049 050 051-099		
SPECIAL REVENUE FUNDS (100-199): Local Source Funds (100-149) Parks and Recreation Fund Library Fund Garbage and Solid Waste Fund Litter Prevention Fund Fire Protection Fund Not Assigned State/Federal Source Funds (150-199) Community Development Block Grant Fund Not Assigned	100 101 102 103 104 105-149 150 151-199		
DEBT SERVICE FUNDS (200-299): General Obligation Bonds Certificates of Indebtedness Not Assigned	200-224 225-249 250-299		
CAPITAL PROJECTS FUNDS (300-399): Governmental Purposes Enterprise Purposes Not Assigned	300-349 350-374 375-389		
PERMANENT FUNDS (390-399): Cemetery Perpetual Fund Not Assigned	390 391-399		
ENTERPRISE FUNDS (400-499): Utilities: Recreational Facilities: Not Assigned	400-449 450-474 475-499		

Classification of Fund and Account Group Numbers

Fund Accounts	Fund Number (---)	Department Or Function Numbers(---)	Operating Account Number (---)
INTERNAL SERVICE FUNDS (500-599): Central Garage and Motor Pool Central Printing and Duplicating Central Purchasing and Stores Central Data Processing Legal Services Not Assigned	500 501 502 503 504 505-599		
PRIVATE PURPOSE TRUST FUNDS (600-649): Museum Trust Fund Not Assigned	600 601-649		
AGENCY FUNDS (650-699) State Assessment Clearing Payroll Clearing Cash Bail Bond Fund Performance Bond Deposit Fund Not Assigned	650 651 652 653 654 655-699		
FOR FUTURE EXPANSION	700-799		
LONG-TERM DEBT	800		
CAPITAL ASSETS	900		

Classification of Program and Department Function Numbers

Department Accounts	Fund Number (---)	Department Or Function Number (---)	Operating Account Number (---)
PROGRAM FUNCTIONS (001-099) General Education Not Assigned		001 002 003-099	
GENERAL GOVERNMENT (100-199): Legislative (100-109): Board, Council or Commission Not Assigned		100 101-109	
Judicial (110-119): Court Not Assigned		110 111-119	
Executive (120-129): Mayor City Manager Boards and Commissions Not Assigned		120 121 122 123-129	
Elections (130-139): Elections Not Assigned		130 131-139	
Financial Administration (140-159): General Finance: General Supervision (City Clerk) Tax Administration Not Assigned		140 141 142-159	
Legal (160-169): Attorney and Staff Not Assigned		160 161-169	
Purchasing (170-179): Purchasing Agent Not Assigned		170 171-179	
Personnel Administration (180-189): Personnel Administration Not Assigned		180 181-189	
Other General Government (190-199): Planning and Zoning Data Processing General Government Building and Plant Not Assigned		190 191 192 193-199	

Classification of Program and Department Function Numbers

Department Accounts	Fund Number (---)	Department Or Function Number (---)	Operating Account Number (---)
PUBLIC SAFETY (200-299):			
Police (200-259):			
Police Administration		200	
Not Assigned		201-209	
Crime Control and Investigation:			
Criminal Investigation		210	
Vice Control		211	
Patrol		212	
Records and Identification		213	
Youth Investigation and Control		214	
Custody of Prisoners		215	
Custody of Property		216	
Crime Laboratory		217	
Not Assigned		218-219	
Traffic Control:			
Not Assigned		220-229	
Police Training:			
Police Training		230	
Not Assigned		231-239	
Support Service:			
Communications Service		240	
Automotive Service		241	
Ambulance Service		242	
Medical Services		243	
Not Assigned		244-249	
Special Detail Service:			
Special Detail Service		250	
Not Assigned		251-254	
Police Station and Building:			
Police Station and Building		255	
Not Assigned		256-259	
Fire (260-269):			
Fire Administration		260	
Fire Fighting		261	
Fire Prevention		262	
Fire Training		263	
Fire Communications		264	

Classification of Program and Department Function Numbers

Department Accounts	Fund Number (---)	Department Or Function Number (---)	Operating Account Number (---)
Fire Repair Service Medical Service Fire Stations and Buildings Not Assigned Corrections (270-279): Jail Juvenile Correctional Institutions Not Assigned Protective Inspection (280-289): Building Inspection Plumbing Inspection Electrical Inspection Gas Inspection Not Assigned Other Protection (290-299): Civil Defense Traffic Engineering Flood Control Not Assigned		265 266 267 268-269 270 271 272-279 280 281 282 283 284-289 290 291 292 293-299	
PUBLIC WORKS (300-399): Public Works Administration: Street Department (301-319): Streets Street Lighting Not Assigned Sanitation and Waste Removal (320-349): Sanitary Administration Street Cleaning Waste Collection Waste Disposal Not Assigned Sewage Collection and Deposit: Not Assigned Other: Weed Control Not Assigned Not Assigned		300 301 302 303-319 320 321 322 323 324-329 330-339 340 341-349 350-399	

Classification of Program and Department Function Numbers

Department Accounts	Fund Number (---)	Department Or Function Number (---)	Operating Account Number (---)
HEALTH AND WELFARE (400-499): Health (400-449): Communicable Disease Control: Rabies and Animal Control (Dog Pound) Not Assigned Other Communicable Diseases: Extermination of Rodents, Mosquitoes and Flies Not Assigned Not Assigned Welfare (490-499):		400 401-409 410 411-419 420-449 450-499	
CULTURE AND RECREATION (500-599): Culture (500-549) Recreation (550-599)		500-549 550-599	
CONSERVATION OF NATURAL RESOURCES (600-649): Municipal Drainage Not Assigned		600 601-649	
ECONOMIC DEVELOPMENT AND ASSISTANCE (650-699): Economic Development Administration Industrial Recruitment Advertising Municipal Resources Not Assigned		650 651 652 653-699	

Classification of Program and Department Function Numbers

Department Accounts	Fund Number (---)	Department Or Function Number (---)	Operating Account Number (---)
ENTERPRISE (700-799): Administrative and General Finance and Customer Accounts Operation and Maintenance Of: Buildings, Grounds and Equipment Structures and Improvements Transmission and Distribution Treatment and Purification Operations Pumping Operations Source of Supply (Reservoir and Wells) Sanitary Sewer Lines Not Assigned Debt Service Not Assigned		700 710 720 721 722 723 724 725 726 727-729 730 740-799	
DEBT SERVICE (800):		800	
INTERFUND TRANSACTIONS (900):		900	

Classification of Operating Account Numbers

Operating Accounts	Fund Number (---)	Department Or Function Number(---)	Operating Account Number (---)
ASSETS AND OTHER DEBITS (001-099):			
Assets and Investments: (001-018):			
Cash in Bank			001
Not Assigned			002-007
Investments			008
Not Assigned			009-014
Petty Cash			015
Not Assigned			014-017
Cash With Fiscal Agent			018
Receivables: (019-064)			
Accrued Interest Receivable			019
Property Taxes Receivable			020
Accounts Receivable			021
- Allowance for Uncollectible Accounts			022
Fines Receivable			023
- Allowance for Uncollectible Accounts			024
Loans Receivable			025
Capital Lease Receivable			026
Assessments Receivable:			027
Not Assigned			028-049
Intergovernmental Receivable			050
Other Receivables			051-052
Due from Other Funds			053
Not Assigned			054-055
Advances to Other Funds			056
Due From Component Units			057
Due From Primary Government			058
Not Assigned			059-064

Classification of Operating Account Numbers

Operating Accounts	Fund Number (---)	Department Or Function Number(---)	Operating Account Number (---)
Prepaid Expenses: (065-069) Prepaid Insurance Not Assigned			065 066-069
Inventories: (070-074) Inventory - Materials and supplies Inventory - Held for Resale Not Assigned			070 071 072-074
Restricted Assets: (075-079) Restricted Cash and Cash Equivalents Restricted Investments Not Assigned			075 076 077-079
Capital Assets: (080-099) Land Construction-in-Progress Buildings - - Accumulated Depreciation Improvements Other Than Buildings - - Accumulated Depreciation Mobile Equipment - - Accumulated Depreciation Other Furniture and Equipment - - Accumulated Depreciation Leased Property Under Capital Leases - - Accumulated Depreciation Infrastructure - Streets - - Accumulated Depreciation Infrastructure - Bridges - - Accumulated Depreciation Other Capital Assets - One - - Accumulated Depreciation Not Assigned			080 081 082 083 084 085 086 087 088 089 090 091 092 093 094 095 096 097 098-099

Classification of Operating Account Numbers

Operating Accounts	Fund Number (---)	Department Or Function Number(---)	Operating Account Number (---)
LIABILITIES, EQUITIES, AND OTHER CREDITS (100-199):			
Claims Payable			100
Due to Primary Government			101
Due to Component Unit			102
Liabilities Payable From Restricted Assets			103
Net Wages Payable			104
Workmen's Compensation Payable			105
Garnishments Payable			106
Retained Payables			107
Deposits Payable			108
Not Assigned			109-120
Intergovernmental Payables: (121-147)			
Due to Federal Government: (121-129)			
Not Assigned			121
Social Security FICA Payable			122
Federal Withholding Tax Payable			123
Not Assigned			124-129
Due to State Government: (130-146)			
Not Assigned			130
Judicial Assessments			131
Not Assigned			132-133
State Withholding Tax			134
Retirement System			135
Not Assigned			136-146
Due to Local Governments			147
Due to Other Funds			148
Not Assigned			149-150
Advances From Other Funds			151
Matured Bonds and Interest Payable			152
Accrued Interest Payable			153
Deferred Revenue: (154-158)			
Property Taxes			154
Federal			155
Garbage Fees			156
Lease Principal Payable			157
Lease Interest Payable			158
Not Assigned			159-160

Classification of Operating Account Numbers

Operating Accounts	Fund Number (---)	Department Or Function Number(---)	Operating Account Number (---)
Long Term Debt			
Due Within One Year (161-183)			
Not Assigned			161-162
Compensated Absences Payable			163
Claims and Judgments Payable			164
Certificates of Indebtedness			165
Capital Leases Payable			166
General Obligation Capital Bonds Payable			167
General Obligation Operation Bonds Payable			168
Not Assigned			169-183
Due In More Than One Year (184-189)			
Limited Obligation Capital Bonds			184
Limited Obligation Operational Bonds			185
Revenue Bonds			186
Other Long Term Debt			187
Not Assigned			188-189
Equities (190-199)			
Fund Balance - Unreserved			190
Fund Balance - Reserved for			
Advances to Other Funds			191
Fund Balance - Reserved for Inventory			192
Other Reserve Fund Balance			193
Not Assigned			195-199

Classification of Operating Account Numbers

Operating Accounts	Fund Number (---)	Department Or Function Number(---)	Operating Account Number (---)
RECEIPTS (200-399):			
Taxes (200-219):			
General Property Taxes:		(001)	
Real			200
Personal:			
Automobiles			201
Other			202
Prior Year Taxes:			
Real			203
Automobile			204
Other			205
Payments in Lieu of Taxes		(001)	206
Not Assigned			207-209
Penalties and Interest on Delinquent Taxes		(001)	210
Other Taxes (211-219)			
Not Assigned			211-219
Licenses and Permits (220-229):			
Privilege Licenses		(001)	220
Franchise Charges - Utilities		(001)	221
Permits - Building		(280-289)	222
Not Assigned			223-229
Intergovernmental Revenues (230-279):			
Federal Operating Grants:			
Public Safety		(200-299)	230
Public Works		(300-399)	231
Health and Welfare		(400-499)	232
Culture and Recreation		(500-599)	233
Education		(002)	234
Conservation of Natural Resources		(600-649)	235
Economic Development		(650-699)	236
Federal Capital Grants:			
Public Safety		(200-299)	237
Public Works		(300-399)	238
Health and Welfare		(400-499)	239
Culture and Recreation		(500 or 599)	240
Education		(002)	241
Conservation of Natural Resources		(600-649)	242
Economic Development		(650-699)	243
Federal Enterprise Fund Grants:			
Operating Grants		(700-799)	244
Capital Grants		(700-799)	245
Not Assigned			246-249

Classification of Operating Account Numbers

Operating Accounts	Fund Number (---)	Department Or Function Number(---)	Operating Account Number (---)
State Grants:			
Not Assigned			250
Homestead Exemption Reimbursement		(001)	251
Emergency Management Reimbursement		(001)	252
Not Assigned			253-259
General Sales Tax		(001)	260
Grants from Local Units:			
County Fire Protection		(260-269)	261
Pro rata County Road Tax		(001)	262
Not Assigned			263-279
Charges for Governmental Services (280-329) (Exclusive of Revenues from Utilities and Other Enterprises):			
General Government:			
Not Assigned			280-284
Public Safety:			
Special Police Service		(200-259)	285
Special Fire Service		(260-269))	286
Protective Inspection Fees		(280-289)	287
Not Assigned			288-289
Highways and Streets:			
Not Assigned			290
Parking Meters		(001)	291
Not Assigned			292-294
Sanitation:			
Sewer Charges		(700-799)	295
Not Assigned			297-299
Health:			
Animal Control and Shelter Fees		(400-449)	300
Not Assigned			301-304

Classification of Operating Account Numbers

Operating Accounts	Fund Number (---)	Department Or Function Number(---)	Operating Account Number (---)
Welfare: Not Assigned		(450-499)	305-309
Culture and Recreation: Golf Fees		(500-599)	310
Swimming Pool Fees			311
Playground Fees			312
Park and Recreation Concessions			313
Auditorium/Coliseum Use Fees			314
Library Use Fees (Not Fines)			315
Participation Fees			316
Not Assigned			317-319
Not Assigned			320-329
Fines and Forfeits (300-339): Court Fines		(001)	330
Litter Fines		(110-119)	331
Parking Fines		(110-119)	332
Library Fines		(110-119)	333
Not Assigned		(110-119)	334-339
Miscellaneous (340-359): Interest Earned		(001)	340
Rents and Royalties		(001)	341
Cemetery Fees (Not Sale of Lots)		(001)	342
Special Assessments - Current		(300-399)	343
Special Assessments - Delinquent		(300-399)	344
Not Assigned		(001)	345
Donations from Private Sources		(001)	346
Not Assigned			347
Premiums on Bonds Sold		(001)	348
Not Assigned			349
Billings to Other Departments		(001)	350
Not Assigned			351-359
Charges for Services (360-379): Metered Sales		(700-799)	360
Other Sales		(700-799)	361
Service Connection Charges		(700-799)	362
Sewer Charges		(700-799)	363
Interest Earned		(001)	364
Golf Green Fees		(550-599)	365
Swimming Fees		(550-599)	366

Classification of Operating Account Numbers

Operating Accounts	Fund Number (---)	Department Or Function Number(---)	Operating Account Number (---)
Parking Fees Bus Fares Advertising Income Rental (Golf Carts, Lockers, Etc.) Concessions Income Not Assigned		(001) (740-799) (001) (550-599) (001)	367 368 369 370 371 372-379
Transfers and Non Revenue Receipts (380-399)			
Transfers In Not Assigned			380 381-389
Proceeds of Long-Term Debt Proceeds of Loans Proceeds of Bond Sales Sale of Real Estate Sale of Cemetery Lots Sale of Personal Property Not Assigned		(420-499)	390 391 392 393 394 395-399
DISBURSEMENTS (400-999):			
Personnel Services (400-499): Salaries: Mayor Administrative Non Administrative Not Assigned			400 410 420 430-459
Employee Benefits: State Retirement (Municipality's Share) FICA Taxes (Municipality's Share) Employee Group Insurance (Municipality's Share) Unemployment Contribution Workers' Compensation Not Assigned			460 470 480 490 491 492-499
Supplies (500-599): Office Supplies (Office Stationery, Forms, Small Items, Equipment, Maps, Etc.) Not Assigned			500 501-509

Classification of Operating Account Numbers

Operating Accounts	Fund Number (---)	Department Or Function Number(---)	Operating Account Number (---)
Operating Supplies:			
Cleaning and Janitorial Supplies			510
Feed for Animals			515
Prisoner Meals			520
Gas and Oil			525
Jail Supplies			530
Uniforms			535
Not Assigned			540-559
Repair and Maintenance Supplies:			
Building Materials and Supplies			560
Paints and Painting Supplies			565
Motor Vehicle Repair Parts and Supplies			570
Not Assigned			575-599
Contractual Services (600-699):			
Professional Services (Accounting, Consulting, Legal, Engineering, Medical, Etc.)			600
Communications (Telephone, Telegraph and Postage)			605
Transportation (Travel Expense, Motor Pool Charges, Freight, Etc.)			610
Advertising			615
Printing and Binding			620
Insurance (Liability, Etc.)			625
Utilities (Gas, Electric, Water and Waste Disposal)			630
Repairs and Maintenance (Outside Labor Paid for Repairs and Maintenance of Buildings, Grounds, Structures, Improvements and Equipment)			635
Rentals (Land, Buildings, Machinery and Equipment)			640
Aid to Other Governments			645
Exhibitions and Promotions			650
Purchase of Water (For Resale)			655
Purchase of Gas (For Resale)			660
Purchase of Electricity (For Resale)			665
Judgements and Losses			670
Not Assigned			680-699

Operating Accounts	Fund Number (---)	Department Or Function Number(---)	Operating Account Number (---)
Grants, Subsidies and Allocations (700-799):			
Assistance to Individuals			700
Grants to Other Governmental Agencies			701
Not Assigned			702-799
Debt Service (800-899):			
Bonds Redeemed:			
General Obligation			800
Revenue			801
Interest on Bonds:			
General			810
Revenue			811
Note Principal			820
Interest on Notes			830
Paying Agent Fees:			
General Obligation			840
Revenue			841
Not Assigned			890-899
Capital Outlay (900-940)			
Land			900
Buildings			901
Not Assigned			902
Parking Lots and Sidewalks			903
Not Assigned			904
Lighting			905
Not Assigned			906
Other Improvements			907
Not Assigned			908-910
Construction In Progress			911
Streets			912
Bridges			913
Dams and Spillways			914
Vehicles			915
Heavy Road Equipment and Machinery			916
Other Mobile Equipment			917
Not Assigned			918
Office Machinery and Equipment			919
Not Assigned			920
Furniture and Fixtures			921
Not Assigned			922-923
Not Assigned			924-949
Transfers Out			950
Not Assigned			951-999

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PROPERTY ACCOUNTING SYSTEM

Real and personal property belonging to the municipality must be accounted for in the municipality's fixed asset records. The following fixed assets accounting system is prescribed for this purpose.

Introduction to Fixed Assets

Fixed assets are those assets of a long-term nature intended to be held or used by the municipality. This definition generally includes land, infrastructure, buildings, improvements other than buildings, equipment and furniture.

The importance of developing and maintaining a complete and accurate accounting of fixed assets cannot be emphasized too strongly. The municipality should recognize a great responsibility for custody of its assets. This protective custody cannot be accomplished without complete and accurate records.

A second reason for developing and maintaining complete and accurate fixed asset records is to allow for accurate financial reporting. The value of fixed assets for all local governments is substantial and usually far greater in value than current assets. When records are not adequate, an audit opinion will be *qualified* for fixed assets, which means the auditor does not have enough evidence to offer an opinion.

Capital assets are major assets that benefit more than a single fiscal period. By definition, any asset that benefits more than one fiscal period potentially could be classified as a capital asset. As a practical matter, however, counties should capitalize only their higher cost assets. Counties must also maintain adequate control over all assets, including lower cost capital assets. Therefore, different thresholds (dollar values) have been established for recording fixed assets for legal compliance purposes and capitalizing assets for reporting purposes.

All deletions of fixed assets, regardless of method, shall be entered on the minutes of the governing board.

A ledger for each fixed asset is used for providing detailed information about the various assets. These subsidiary records are to be used for accountability of general fixed assets of the local government. Each ledger sheet should contain a description of the asset, including any identifying markings, its cost or estimated fair market value at acquisition, the date purchased, the location of the assets and the identification number, if applicable, which appears on the asset. Sample ledgers for fixed assets are shown in Exhibits C through I. Any changes, such as changes in location, should be recorded in the ledgers. At all times, the total of all individual ledger pages should equal the total on the "Fixed Assets Ledger," Exhibit B.

Classification of Fixed Assets

The following types of classifications should be used to account for fixed assets:

Land -- *Land* includes the amount of investment held in real estate other than buildings and/or other improvements. All land, as herein defined, should be capitalized without regard to its size or value.

Buildings -- *Buildings* include all local government-owned buildings, except those whose condition prevents their serving any present or future useful purpose. Permanently installed fixtures to or within the building are considered a part of the building. The costs of major improvements to a building, such as additions or renovations, should be capitalized and added to the value of the building.

Infrastructure -- Infrastructure includes long-lived capital assets that normally are stationary in nature and normally can be preserved for a significantly greater number of years than most capital assets. Examples of infrastructure assets include roads, bridges, tunnels, drainage systems, water and sewer systems, dams and lighting systems.

Improvements Other Than Buildings -- This is a fixed asset account which reflects acquisition value of permanent improvements other than buildings, which add value to land. Examples are fences, retaining walls, sidewalks, pavements.

Construction-in-progress -- *Construction-in-progress* includes all partially completed projects for the construction of an asset. The cost of construction-in-progress should not be capitalized until the construction is completed. In the interim, the cost of construction-in-progress should be recorded as an expenditure of the appropriate capital projects fund.

Equipment (Road Equipment and Other Furniture and Equipment) -- *Equipment* includes movable property of significant value having a useful life that extends beyond one year. Equipment with a value of \$500 and over should be capitalized. See "Equipment Accounting Procedures" for exceptions. A local government may consistently exercise the option to capitalize selected items of lesser value. Each local government should establish policies with respect to those items of equipment of lesser value that are to be capitalized.

Leased Property Under Capital Leases -- Lease purchase agreements are contractual agreements which are termed "leases," but which, in substance, amount to purchase contracts.

Data Elements of Fixed Assets

Data elements consist of identifying characteristics that will be recorded for fixed assets. It is important that the municipality initially identify the data elements to satisfy both internal and external reporting requirements.

The municipality must capture the following required data elements for all fixed assets:

- Major asset class
- Fund number
- Acquisition date
- Description of asset (Manufacturer, year model, model number, etc.)
- Vendor
- Serial number
- Property control number
- Location
- Warrant number
- Method of Acquisition (Purchased, constructed, donated, etc.)
- Acquisition cost or value
- Method of disposition
- Minute book and page number authorizing purchase or disposition
- Date of disposition
- Trade-in Amount/Sale Proceeds
- Special conditions
- Other relevant information

In addition to the required data elements listed above, the municipality must capture the following required data elements for assets that exceed capitalization thresholds:

- Useful life of asset
- Salvage value of asset
- Function
- Percentage of use by function if not 100%
- Current year depreciation expense
- Accumulated depreciation

Guidelines to Develop Cost of Fixed Assets

The following are guidelines to use in determining the total acquisition cost of fixed assets which are to be used in establishing a value for the asset and which are to be recorded in the subsidiary ledgers:

Land (Exhibit C)

The acquisition cost of all parcels of land includes all expenditures in connection with its procurement, including the following:

- Purchase price
- Appraisal and negotiation fees
- Title search fees
- Surveying fees
- Cost of consents
- Payment of damage claims
- Clearing land for use
- Demolishing or removing structures
- Filing costs

Receipts from the sale of land subsequent to the acquisition of the land should be credited against the cost recorded in the subsidiary ledger.

Land should be recorded at cost or, if donated to the municipality, at fair market value. It will be maintained on the inventory, regardless of purchase price.

Buildings (Exhibit D)

The acquisition cost of buildings, structures and improvements to buildings includes all expenditures in connection with the acquisition and construction including the following:

- Purchase price or cost of construction
- Fixtures attached to the structure
- Professional fees (architect and/or engineering fees, etc.)
- Cost of permits and licenses
- Payment of damage claims
- Insurance premiums

All buildings and building improvements are to be included in this classification regardless of value for legal compliance purposes. Buildings and building improvements with a cost in excess of \$50,000 should be capitalized for reporting purposes. The straight line method should be used to calculate depreciation expense based on a useful life of 40 years and a 20% salvage value. Any building or building improvement with a value less than the required capitalization threshold will be an expense in the year of acquisition. A memo amount should be recorded in the fixed asset records to document cost.

The acquisition cost of buildings, structures and improvements to buildings should be reduced by receipts for the sale or salvage of materials initially charged to cost of acquisition or construction costs. These would include discounts, allowances and rebates secured, and amounts recovered through the surrender of liability and/or casualty insurance.

Buildings should be recorded at cost or at fair market value (of the building at the time it was donated to the municipality). All buildings, including portable and temporary building structures, will be maintained on the inventory, regardless of purchase price.

Additions to buildings are new and separate units, or extensions of existing units, and are considered fixed assets. The cost of additions to existing assets should be capitalized and added to the value of existing assets.

Alterations to buildings are changes to the physical structure of fixed assets that neither materially add to the value of an asset nor prolong its expected life. As such, alterations should not be capitalized.

Infrastructure (Exhibit E)

Acquisition cost for infrastructure includes the following expenditures:

- Construction costs (i.e. contract amounts, payroll, fringe benefits, rental value for equipment, etc.)
- Legal fees
- Engineering fees
- Right of way costs
- Payment of damage claims connected with construction
- Materials

All infrastructure is to be included in this classification regardless of its value for both legal compliance and reporting purposes. The straight line method should be used to calculate depreciation expense for roads based on a useful life of 20 years and a 30% salvage value. The straight line method should be used to calculate depreciation expense for concrete bridges based on a useful life of 50 years and no salvage value and timber bridges based on a 30 year useful life and no salvage value.

Improvements Other Than Buildings (Exhibit E)

Acquisition cost includes all expenditures in connection with their acquisitions, including the following:

- Purchase price, contract price or job order cost
- Professional fees (architects, attorneys, appraisers, engineers, financial advisors, etc.)
- Payment of damage claims
- Insurance premiums

All Improvements Other Than Buildings are to be included in this classification regardless of value for legal compliance purposes. Improvements Other Than Buildings with a cost in excess of \$25,000 should be capitalized for reporting purposes. The straight line method should be used to calculate depreciation expense based on a useful life of 20 years and a 20% salvage value. Improvements Other Than Buildings with a value less than the required capitalization threshold will be an expense in the year of acquisition. A memo amount should be recorded in the fixed asset records to document cost.

Acquisition cost of improvements other than buildings, if applicable, should be reduced by receipt for the sale of materials initially charged to the cost of acquisition.

The category for improvement other than buildings is the classification created for the capital outlay of infrastructures (roads, bridges, parking lots, sidewalks and lighting) and other improvements other than buildings. A theoretical distinction between capital outlay and maintenance operation for improvements other than buildings is difficult to determine. The following definitions and guidelines are to assist the municipalities in distinguishing between maintenance and capital outlay:

Maintenance is defined as expenditures that neither materially add to the value of an asset nor appreciably prolong its life. Rather, maintenance keeps an asset in an ordinary, efficient operating condition. As such, maintenance costs should not be capitalized.

Capital outlay is defined as expenditures resulting in the acquisition of/or addition to fixed assets that materially add to the value of an asset and prolong its life. Capital outlay should be capitalized.

All new construction, reconstruction, major repairs, resurfacing and altering of surfaces costing in excess of \$1,000 should be reported as capital outlay.

Construction-in-Progress (Exhibit F)

Construction-in-Progress represents a temporary capitalization of labor, materials, equipment and overhead cost of a construction project. The cost is accumulated the same as building cost and improvements other than building cost.

When the project is completed, cost in the Construction-in-Progress account is classified to one or more of the other major asset classes.

Equipment (Mobile Equipment and Other Furniture and Equipment) (Exhibits G and H)

The acquisition cost of equipment includes all expenditures in connection with its procurement, including the following:

- Purchase price
- Transportation charges
- Installation cost
- Other expenditures required to place the asset in its intended state of operation

All Mobile Equipment with a value of \$500 or more and those items required to be included regardless of value are to be included in this classification for legal compliance purposes. Mobile Equipment with a cost in excess of \$5,000 should be capitalized for reporting purposes. The straight line method should be used to calculate depreciation expense based on a useful life of 5 years for vehicles and equipment and 10 years for heavy equipment and a 10% salvage value.

Mobile Equipment with a value less than the required capitalization threshold will be an expense in the year of acquisition. A memo amount should be recorded in the fixed asset records to document cost.

Equipment with a value of \$500 and a useful life expectancy of at least one year should be reported on inventory.

Leased Property Under Capital Leases (Exhibit I)

Capital leases for municipalities are authorized by Section 31-7-13(e), Miss. Code Ann. (1972). If the purchases are under this authority, they must obtain the following information:

The municipality should have the company from which the equipment and/or furniture was purchased to furnish it with an amortization table. The amortization table should have the payment date, interest rate, total payment, interest, principal and contract payable for each year of the lease purchase. It is important to have the cash price, the amount of each annual payment, commission and other cost associated with the lease purchase. Pertinent information about the company that sold the furniture and/or equipment to the municipality should be kept on file, i.e., name of company, location, etc.

A lease purchase ledger, Exhibit I, must be prepared at the beginning of the capital lease-sale agreement on each capital lease. The principal of the lease-purchase should be the amount recorded. It should be filed separately from the equipment inventory sheets until title has been transferred to the municipality. At that time, it should be added to the equipment and/or furniture inventory.

Equipment Accounting Procedures

All municipalities are required to have and maintain complete and current inventory lists of each property item with a cost to the municipality of \$500 or more. Donated equipment is recorded based on its fair market value.

Some equipment should be included on a municipality's inventory list, regardless of the price paid by the municipality to acquire the item or the fair market value of the items. Weapons, audio visual equipment, power tools, refrigerators, televisions, lawn maintenance machinery, chain saws, air compressors, welders, generators and similar type items are examples of equipment to be considered when the municipality adopts its policy.

Items acquired through surplus property shall be added to a municipality's inventory list at fair market value; that is, surplus property items are added at the appraised value.

In the event a municipality is required to include an item on its property inventory list using the item's fair market value, the municipality will be required to maintain adequate documentation to justify how the fair market value was obtained.

A municipality may include other property items on its inventory list, regardless of price, provided the policy is consistently applied and recorded in the board's minutes.

Municipalities are free to label property items not included on their inventory lists with tags entitled "Property of _____ (Name of Municipality)." Items deleted from property inventory lists must have their inventory numbers removed from the items. Items required by this rule to be included on property inventory lists will continue to be labeled with numbered tags or other permanently affixed numbering such as enamel paint.

For the purposes of these rules, "property" is defined as all furniture, vehicles, equipment and other personal property having a useful life expectancy of at least one year and with a cost of \$500 or more. "Property" does not include the following: carpeting, draperies, installed floor-to-ceiling partitions, window shades or blinds, mattresses and box springs, hot water heaters, installed drinking fountains, museum accessions, library books, films or archival collections.

Other Fixed Assets Accounting Procedures

All other fixed assets, property rights and/or limitations not accounted for within the system defined in this chapter should be accounted for in supplemental accounting records. The supplemental accounting records should be designed in accordance with local policy to provide a permanent record of rights and limitations. Examples of an other fixed asset rights and limitations are mineral rights and land use reversion clauses.

Capital Assets Financial Reporting Procedures

In addition to accounting for property for compliance with the state auditor's property accountability regulations, municipalities must also maintain records for financial reporting purposes (see section IV of this guide). The municipality's legal reporting requirements and additional reporting initiatives of the board or council will require the adoption of additional property record policies.

These policies include capital asset thresholds for financial reports, useful lives of property, and salvage values of property. Capital asset threshold refers to the value a piece of property must have for it to be included in the financial report, useful life is the amount of time a piece of property is productive, and salvage value is the worth of the property at the end of its useful life .

Financial reporting policies should be developed with a clear understanding of legal requirements, cost and benefits. For example, Section 21-35-31 qualifies municipalities with a population of 3000 or less with financial hardship for a compilation financial report form that currently does not require property reporting, therefore these additional records are not required. This office recommends municipalities consult with the preparers and auditor of the financial report; and the users of the financial statements to determine the consequences of all financial reporting policies.

Recommended Thresholds, Useful Lives, and Salvage Values for Financial Reporting

This office recommends the following capital asset thresholds, useful lives and salvage values for financial reporting purposes.

Capital Asset Thresholds:

Land	N/A
Infrastructure	N/A
Furniture, Vehicles, and Equipment	\$ 5,000
Improvements other than Buildings	\$25,000
Buildings	\$50,000

Useful Lives:

Computer Equipment and Peripherals	3 years
Vehicles and Equipment	5 years
Heavy Equipment (backhoes, dozers, front-end loaders, tractors, etc)	10 years
Furniture and Fixtures	7 years
Improvements other than Buildings	20 years
Buildings	40 years
Infrastructure:	
Roads	20 years
Concrete bridges	50 years
Timber bridges	30 years

Salvage Values:

Computer Equipment	1 %
Furniture	10%
Vehicles and Heavy Equipment	10%
Improvements other than Buildings	20%
Buildings	20%
Roads	30%
Bridges	0%

Recommended Depreciation Rates For Financial Reporting

Depreciation of property accounted for financial reporting (within the “Capital Asset Threshold”) is also necessary. Depreciation is defined as the allocation of the cost of the asset over its useful life. Factors to consider in the calculation of depreciation are: cost, useful life, salvage value. Depreciation may be calculated in different ways but the easiest and most efficient is the straight-line method. A full year’s depreciation expense should be taken for all purchases and sales of capital assets during the fiscal year. Depreciation may be calculated at the end of the fiscal year.

Listed below are the suggested useful lives, salvage value and depreciation rate for fixed assets:

Type of Asset	Useful Life	Salvage Value % of cost	Depreciation Rate
Buildings	40	20%	2.5%
Improvements Other Than Buildings	20	20%	5%
Infrastructure			
Roads	20	30%	5%
Bridges-Concrete	50	0%	2%
Bridges-Timber	30	0%	3.33%
Equipment			
Computer Equipment	3	1%	33.33%
Furniture & Fixtures	7	10%	14.30%
Moveable	5	10%	20%
Mobile			
Cars, Trucks	5	10%	20%
Heavy Equip	10	10%	10%

Property Number System

There are many methods of numbering fixed assets. The primary rule in any numbering scheme is to select a logical and uniform procedure.

Categorize the several classifications of general fixed assets and assign blocks of numeric codes to each category.

SAMPLE CLASSIFICATION SYSTEM

<u>General Fixed Asset Categories</u>	<u>Property Number</u>
Equipment:	
Mobile Equipment	001 - 199
Office Machinery and Equipment	200 - 399
Furniture and Fixtures	400 - 599
Other Equipment	600 - 699
Buildings	700 - 799
Improvements Other Than Buildings	800 - 899
Land	900 - 999

Determine a means of tagging equipment. The identification tags may be self-adhesive metal tags, stencils or other suitable tags on which a permanent number can be affixed and the tag attached to an item of equipment.

Note: Only items of equipment are to be physically tagged with property numbers. For internal control purposes, fixed assets such as buildings, improvements other than buildings and land are assigned property numbers in the accounting records. However, the asset is not physically tagged with this number.

Order the identification tags well in advance of the date on which the initial inventory of fixed assets is to begin.

Each fixed asset should be assigned a unique fixed asset property control number. When assigning a number to "land and buildings," use only the property number. When assigning a number to "equipment and improvements other than buildings," the number should indicate both the department to which the asset is assigned and the property number of the asset within the appropriate asset category.

SAMPLE PROPERTY NUMBERS

<u>Department Code</u>	<u>Property Number</u>
040 (Municipal Clerk's Office)	201 (Office Machine - Typewriter)

Department heads should assign a property control number to each fixed asset inventoried. The control number assigned should then be entered on the fixed asset inventory form along with a detailed description of the asset (Exhibits G through I). An identification tag should be attached to each item of equipment inventoried.

Property Tagging System

Physical tagging is one of the most important aspects of physical asset control. The municipality should investigate the many commercial methods of attaching property numbers. Different tagging procedures should be used depending upon the type of equipment to be tagged.

Select the next sequential fixed asset property number of the appropriate category of asset to be tagged. Enter the number on the fixed asset ledger (Exhibits G through I). Provide the necessary information concerning each item to be inventoried.

Attach the identification tag or stencil the identification number on each item of equipment. The following are guidelines for tagging equipment:

<u>Illustrative Items of Equipment</u>	<u>Suggested Location of Tag</u>
Adding machines, typewriters, calculators and similar office equipment	Back of machine
Air compressors, welders, generators, I.D.tag	Near manufacturer's etc.
Air conditioners, freezers, refrigerators, vending machines, etc.	Right side of upper cover
<u>Illustrative Items of Equipment</u>	<u>Suggested Location of Tag</u>
Copy machines, printing equipment, etc.	Near manufacturer's I.D. tag
Desks, tables, etc.	Top or right front leg
Files, safes and other storage equipment	Top right front cover
Automobiles, trucks and other automotive equipment	Stencil or print number on inside of door

Upon completion of the inventory, recheck to be sure asset property numbers were assigned to each item included in the inventory.

Annual Inventory System

At the end of each fiscal year a thorough inventory of all fixed assets owned by the municipality must be made. The board or council should assign general responsibility to oversee the inventory to the finance officer, comptroller, city administrator, municipal clerk or other responsible officer. The purpose of the inventory is necessary to verify the existence of all fixed assets. However, other information, such as the condition of the asset may be documented.

The municipality's auditor should also be consulted prior to inventory. Auditors may observe the inventory and request additional procedures.

Inventory Procedure:

At the close of each fiscal year, furnish each department head with a supply of blank forms for the fixed asset inventory (Exhibit A).

Each department head should list each item of equipment in his department, including a brief description of the item, its condition, and its property number, taken from the actual piece of equipment.

Return completed inventory forms to the municipal clerk's office.

Verify the information listed on the new inventory forms with previous inventory records. Include any changes in fixed assets, such as land, buildings and other improvements.

If a fixed asset included in the previous inventory is not listed in the new inventory, investigate the reason for the discrepancy.

If any property number tags are missing, replace them.

Note in the records any transfers between departments not previously recorded.

Correct the permanent inventory records (land, buildings, improvements other than buildings, construction-in-progress, road equipment, other furniture and equipment, and lease purchases) to reflect actual changes in the inventory.

Prepare fixed asset ledger based on the inventory (Exhibit B).

Exhibit A

ANNUAL INVENTORY OF PROPERTY - SAMPLE FORMAT

Page ____

INVENTORY AND VALUATION OF PROPERTY

_____(FIXED ASSET)

September 30, 20__

DEPARTMENT/DISTRICT: _____

Description	Serial/Model Number	Property Control Number	Date Purchased	Cost or Other Basis
TOTAL				\$

Exhibit B

FIXED ASSET SUBSIDIARY LEDGER

[illegible]

Exhibit C**FIXED ASSET INVENTORY LEDGER
LAND ACQUISITIONS****PROPERTY NO.:** _____

ACRES		LOCATION				LEGAL DESCRIPTION
Method of Acquisition	Date	Check No.	Amount	M.B. No.	Page No.	
() Purchased						
() Constructed						
() Donated (FMV)						
() Other						
Total Acquisition Cost						
Improvements:						
Total Cost						
Type Deed				Volume Recorded	Page	Date
Abstract of Title						Date
Appraised By					Amount	Date
Capitalized By					Amount	Date

DISPOSAL

How Disposed Of		Book Value	Date
Sold or Disposed Of		Amount	Date
Notes and Remarks			

Exhibit D**FIXED ASSET INVENTORY LEDGER
BUILDING ACQUISITIONS****PROPERTY NO.:** _____

Description of Building						
Location						
Occupied By						
Method of Acquisition	Date	Check No.	Amount	M.B. No.	Page No.	Remarks
() Purchased						
() Constructed						
() Donated (FMV)						
() Other						
Total Acquisition Cost						
Improvements:						
Total Cost						
Appraised By					Amount	Date
Capitalized By					Amount	Date

DISPOSAL

How Disposed Of		Book Value	Date
Sold or Disposed Of		Amount	Date
Remarks			

Exhibit E**FIXED ASSET INVENTORY LEDGER
INFRASTRUCTURE & IMPROVEMENTS OTHER THAN BUILDINGS****PROPERTY NO.:** _____

Description of Improvements						
Location						
Method of Acquisition	Date	Check No.	Amount	M.B. No.	Page No.	Remarks
() Purchased						
() Constructed						
() Donated (FMV)						
() Other						
Total Acquisition Cost						
Improvements:						
Total Cost						
Appraised By					Amount	Date
Capitalized By					Amount	Date

DISPOSAL

How Disposed Of		Book Value	Date
Sold or Disposed Of		Amount	Date
Remarks			

Exhibit F

FIXED ASSET INVENTORY LEDGER CONSTRUCTION IN PROGRESS

PROPERTY NO.: _____

Description of Project						
Project/Phase	Date	Check No.	Amount	M.B. No.	Page No.	Remarks
Total Cost						

DISPOSAL

To	Cost	Date
Remarks		

Exhibit G

FIXED ASSET INVENTORY LEDGER MOBILE EQUIPMENT ACQUISITIONS

DEPARTMENT: _____

PAGE NO.: _____

DEPARTMENT HEAD: _____

[illegible]

Exhibit H

FIXED ASSET INVENTORY LEDGER
OTHER FURNITURE AND EQUIPMENT ACQUISITIONS

DEPARTMENT: _____

PAGE NO.: _____

DEPARTMENT HEAD: _____

[illegible]

Exhibit I

FIXED ASSET INVENTORY LEDGER LEASE-PURCHASE ACQUISITIONS

DEPARTMENT: _____

PAGE NO.: _____

DEPARTMENT HEAD: _____

[illegible]

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SECTION III - SPECIAL PROCEDURES

State laws grant municipal boards/councils with authority to take actions to accomplish their responsibilities. Within these laws, procedures are commonly established or left to the municipal authorities to develop. In some cases, procedure development is assigned to the State Auditor.

This section of the guide provides guidelines from the State Auditor where specialized procedures are required.

A. OFFICIAL TRAVEL

B. PETTY CASH FUNDS

- Routine Petty Cash Fund Procedures

- Petty Cash Fund to Account for Procurement of Evidence

C. MUNICIPAL COURT PROCEDURES

- Accounting System

- Partial Payment Accounting

- Refunds

- Uniform Traffic Tickets - Court Procedures

- Uniform Traffic Tickets - State Auditor's Regulations

D. MUNICIPAL POLICE DEPARTMENT PROCEDURES

- Improper Motor Vehicle Tag or Decal Procedure

- Uniform Traffic Tickets - Police Procedures

E. CONTRACTING WITH COLLECTION AGENCIES

F. CONTRACTING TO ACCEPT CREDIT CARDS

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OFFICIAL TRAVEL

Section 25-3-41, Miss. Code Ann. (1972), provides for officers and employees of municipalities to receive reimbursement for authorized travel. This law sets maximum reimbursement limits for travel where a private motor vehicle is used, grants the Department of Finance and Administration (DFA) the authority to set maximum meal reimbursement amounts, and provides for other travel-related expenses such as lodging, public carrier, etc. to be reimbursed at actual cost. For DFA's travel information, see their web site at www.dfa.state.ms.us.

Travel-related expenses must be documented. This means invoices or similar support must be provided for reimbursements of expenses other than meals and travel by private motor vehicle, and all reimbursed expenses must be defined on a claim form similar to the Department of Finance and Administration's form "Voucher for Reimbursement of Expenses Incident to Official Travel."

Municipalities are authorized to develop policies relative to official travel. These policies may further limit reimbursement amounts and may require additional information to justify reimbursement.

Section 25-3-41, Miss. Code Ann. (1972), also authorizes municipalities to make travel advances in accordance with Office of the State Auditor rules and regulations. The following rules and regulations have been issued for this purpose.

When Travel Advances May be Made -- Before any travel advance is made, the following conditions must exist:

The board must have a policy regarding the use of travel advances. The policy should provide for:

- Compliance with these rules and regulations.
- Compliance with the Department of Finance and Administration's daily limits on expenditures for meals.
- Compliance with Section 25-3-41, Miss. Code Ann. (1972), requirements.
- Designation of administrative heads who will have the authority to authorize travel advances.
- Any local limitations and procedures which are in addition to state laws and regulations.

The person receiving the advance must be an officer or employee of the municipality.

Source of Travel Advance Funds

Money used for a travel advance must come from a fund that may legally make expenditures for the purpose of the official travel.

The budget of the fund making the travel advance must have an unencumbered balance sufficient to support the related travel expenditures.

A petty cash fund may be authorized to make travel advances.

Travel Advances Must be Used for Travel Related Purposes -- This money may not be used for personal expenses or for any purpose other than the actual expenses of the authorized travel.

Accounting for Travel Advances -- Officers and employees must account for travel advances within five working days of the end of the month in which the official travel occurred. This means:

All travel advance money not used for travel related expenses is repaid to the municipality.

The travel reimbursement form prescribed by the Department of Finance and Administration or a similar form is completed and submitted. This form should account for all money not refunded.

Actual receipts are provided for all travel expenses, except meals and travel in personal vehicles. The "Travel Manual" issued by the Department of Finance and Administration, Office of Purchasing and Travel prescribes maximum meal reimbursement amounts and provides receipts are not required.

PETTY CASH FUNDS

Section 7-7-60, Miss. Code Ann. (1972), provides authority for municipalities to operate petty cash funds in accordance with regulations set forth by the Office of the State Auditor.

Special procedures are required to establish and operate a petty cash fund to account for the procurement of evidence. The purpose of these special procedures is to provide a method to make expenditures without compromising the confidential nature of the related criminal investigations.

The following official regulations are prescribed for the establishment and operation of petty cash funds. These regulations include "Routine Petty Cash Fund Procedures"; and special regulations for "Petty Cash Fund to Account for Procurement of Evidence".

Routine Petty Cash Fund Procedures

Establishment of a Petty Cash Fund

A petty cash fund may be authorized by the municipal governing authorities. The authorization must be spread upon the minutes and include:

Reasons for establishing the fund

Purposes for which fund money may be spent (must be legal)

Dollar amount of the fund

Custodian(s)

Any special provisions, such as depository account

This authorization will serve as authority for the municipal clerk to transfer the money to the custodian ("Named Custodian, Department Head, etc."). All petty cash funds must be accounted for within the municipal accounting records for cash balances.

Establishing a petty cash fund does not change how money may be legally spent. The cash in a petty cash fund may only be authorized to be spent for those purposes that are available to its source fund, budget and purchasing laws. This means reimbursements may only be made for disbursements that could have been made by the source fund, are within the budget of the authorized department(s) and have been made in accordance with purchasing laws.

Reimbursements to a Petty Cash Fund

Requests for reimbursements may be made by the custodian. For each month disbursements are made from the petty cash fund, a request for reimbursement must be prepared by the custodian and submitted as a claim to be considered by the governing authority. The request for reimbursement must include a summary of expenditures on the "Voucher for Reimbursement of Petty Cash Disbursements" along with related invoices and explanations for disbursements made by the petty cash fund. Reimbursements shall be charged to the appropriate department's budget and made by municipal warrant, as with the payment of other claims.

Other Petty Cash Requirements

The custodian of a petty cash fund must be bonded (as required by law) and will be responsible at all times for the funds and purchases of the petty cash fund. The amount of cash in the fund and/or paid invoices and explanations for proper expenditures must always equal the total amount authorized to be in the petty cash fund.

There must be an accounting for the petty cash fund at the end of each fiscal year. This means the account should be closed out on the last day of the fiscal year and reissued for the next fiscal year. In circumstances where close out is not practical, a cash count by the municipal auditor or other independent person and a reimbursement request for disbursed cash will be an acceptable alternative. This accounting is necessary to assure funds are on hand and disbursements are recorded within the proper fiscal year's budget. The municipal auditor may also require an accounting at any time.

The governing authority must authorize the petty cash fund on an annual basis.

Prescribed Form

Following is the prescribed "Voucher for Reimbursement of Petty Cash Disbursements." The custodian must list the items and amounts claimed on the voucher. The municipal clerk (accounting/bookkeeping department) must verify the amounts and insert proper classification of expenditure codes for budgetary control. This form may substituted with another format or electronic record; provided documentation and authorization are equivalent.

VOUCHER FOR REIMBURSEMENT OF PETTY CASH DISBURSEMENTS

From: _____

To: _____

DEPARTMENT: _____

Item	Amount	Verification	
		Accounting Code	Amount
	\$		\$
TOTAL AMOUNT CLAIMED	\$	TOTAL AMOUNT VERIFIED	\$

I certify that the above amount claimed for petty cash disbursements for the period indicated is correct and that payment for any part thereof has not been received.

Custodian Signature

Verified By

Note: Attach all petty cash support (invoices, tickets, explanation, etc.) to the upper left corner of the voucher. Every item must be supported.

Petty Cash Fund to Account for Procurement of Evidence Requirements

During the course of procuring evidence, disbursements of a confidential nature may be required. However, the disbursement of public funds requires accountability. To maintain accountability and confidentiality, the following procedures should be followed:

Availability of Funds -- Funds available for general law enforcement purposes may be used for the purpose of procuring evidence. These include, but are not limited to, the general fund, forfeitures and, as provided by Section 99-27-37, Miss. Code Ann. (1972), fine proceeds.

Appropriation of Funds -- Appropriations for this purpose should be included in the law enforcement agency's budget.

Purpose of Funds -- Such funds may be disbursed for, but not limited to, disbursements related to surveillance, the purchase of investigative equipment, the purchase of samples to be used as evidence, the purchase of information and the defraying of living expenses of persons specially employed in investigations.

Disbursement of Funds -- In order to maintain confidentiality, petty cash funds must be authorized by the law enforcement agency's governing authority:

A petty cash fund must be established in accordance with the Office of the State Auditor's regulations.

Confidential Record – Disbursements from the petty cash funds must be accounted for in a confidential record. This record must show the following information.

- Each transaction
- Amount paid
- To whom paid
- Date paid
- Purpose of the transaction
- Case number
- Such other information necessary to justify the transaction

The record must be available to persons designated by the Office of the State Auditor.

Other Requirements:

Disbursements from the petty cash funds must be made in accordance with purchase law bidding requirements. (Purchases of evidence and undercover living expenses do not require bids.)

Confidential disbursements may be supported with a summary of the total amounts spent. These amounts must be defined in sufficient detail to be charged against the appropriate budget items (supplies, contractual services and charges or capital outlay).

Non-confidential disbursements must be supported with invoices or other evidence of justification for the expenditure, the same as for routine petty cash funds.

Equipment purchases must be recorded on the municipal fixed asset inventory and tagged appropriately.

MUNICIPAL COURT PROCEDURES

State laws (Chapter 23 of Title 21, Ms. Code) requires court personnel to receive regular training organized and certified by the Mississippi Judicial College at the University of Mississippi. In addition to the procedures presented in this guide the State Auditor's Office participates in judicial college training to present updated and detailed procedures. For information in addition to this guide on the proper conduct of the municipal court, guidance should be solicited from the Mississippi Judicial College.

Mississippi law requires the State Auditor to prescribe procedures for the handling of certain court funds. The following procedures have been issued for this purpose.

Accounting system

Section 21-23-11 explains the municipal court clerk shall administer the collection and settlement of collections. Separate accounting records must be maintained for the municipal court. This means these records may not be combined with those of other municipal departments or activities; regardless of any other positions (municipal clerk, chief of police, etc.) the person serving as court clerk may hold.

Municipal court clerks should use the accounting system presented in section II of this guide to the extent applicable. This means receipts must be issued for collections on official court receipts (only the court clerk or deputy may issue and sign a receipt) and cash journals must account for all collections.

A municipal court clerk has no authority to disburse funds. Therefore, collections must be deposited daily (Section 21-15-21). Such collections must be defined in a report to the municipal clerk at least monthly.

Partial payment accounting

Municipal Court Judges may allow defendants to pay on a partial payment basis. This means that the Municipal Court Clerk will have to maintain some type of receivable record.

An accounts receivable system must account for each receivable. The receivable record must contain the following information (if available):

- the case record creating the obligation,
- the name of the responsible person,
- where the person may be found,
- any other information relevant to collection,
- and each receipt by number, date, and amount.

A card, journal, computer or other appropriate accounting method may be used. Also, a running total account should be maintained to show the total amount due.

Each account should be balanced monthly. Periodically, analysis should be made to determine age of accounts and make reports to the judge and board. What is important is that a record be kept to account for each defendant's charges, payments and balances due; and that the information be used.

In addition to accounting records, the case record should note the judgement of the court; and once the receivable has been totally collected or some other disposition has been ordered by the court, the case record should disclose the final disposition. It should be noted that Section 15-1-51, Miss. Code and Section 100, Miss. Constitution make clear there is no statute of limitation that runs against a municipality; therefore, obligations may not be written without specific legal authority.

Refunds

On occasion refunds of collections will be required. As explained, a municipal court clerk may not make a disbursement; therefore, the following procedure is prescribed for refunds. This procedure is also in compliance with Sections 99-19-73 and 83-39-31.

Who Authorizes Refunds - Municipal Court Clerks - When:

Over payments have been made due to collection error,
court order directs,
convictions have been overturned upon appeal,
or in the case of an appearance bond fees, when the prosecutor enters a nolle prosequi or retires the case to the file.

How Refunds Are Authorized - Certificates of Eligibility

A Certificate of Eligibility is a mandatory document issued by the municipal court clerk to the municipal clerk to authorize refunds.

A Certificate of Eligibility document must be written, signed and include the date, case number, payee, amount due and reason for the refund.

Copies of all certificates issued must be maintained by the court clerk.

This certificate may also be used to support claims filed with the municipal board for refunds of fines, costs, bonds, etc.

Who Must Make Refunds - Municipal Clerks

Refunds must be authorized by “certificates of eligibility”.

Copies of all certificates received must be maintained by the municipal clerk.

Source of Refunds

Refunds must be made from the funds into which the original money was settled. For example, Section 99-19-73 uniform assessments would be refunded from the “State Assessment Clearing Fund”. If assessment money has already been settled to the state, refunds are made from later similar collections.

Board of Aldermen/Council Responsibilities

Municipal Board Orders are not required for the municipal clerk to refund court assessments processed through clearing fund; such as county (law library) or state (uniform assessment) assessments. A board order is required to authorize refund money placed in municipal fund; such as court cost, fines or special municipal assessments. The Certificate of Eligibility shall serve as authorization for clearing fund refund; and as a basis for the municipal board to judge the claim for refund.

Uniform Traffic Tickets - Court Procedures

Section 63-9-21, Miss. Code requires the State Auditor and Attorney General to jointly prescribe uniform traffic tickets to be used by municipal police officers. This law also requires the clerk of the municipal court to keep a record of all traffic ticket books issued and to whom issued, accounting for all books printed and issued.

Due to frequent changes in implied consent and other traffic related laws, actual examples of prescribed tickets will not be presented in this guide. Current copies will be distributed by direct communication as changes occur; and copies may be obtained by contacting the office of the state auditor.

The following procedures are provided for the issuing and accounting for uniform traffic tickets:

Uniform Traffic Ticket Statutory Requirements of Section 63-9-21

Original tickets must be used.

Tickets must be as the State Auditor and Attorney General prescribe.

Tickets must be uniform throughout all jurisdictions.

Tickets must show the name of issuing officer.

Ticket must show the name of court where cause is to be heard.

Ticket must show the date and time of required appearance.

Ticket must show all other information which is necessary for a complaint charging the offense for which the ticket was issued (sworn to, filed with court clerk, etc.). No separate complaint is required when the ticket is properly issued under Section 99-19-3.

Ticket discloses judge's acknowledgment of DUI defendant's attorney decisions.

Tickets must be bound in book form.

Tickets must be consecutively numbered.

Ticket books are issued and accounted for by the court clerk.

Original and commissioner's copies of the ticket must be returned to the court clerk..

The officer's copy of the ticket is retained by the officer.

The ticket number must be noted on the court docket

Tickets must be filed as specified by the State Auditor

Filed tickets must show fine and costs

Ticket copies must be retained for two years

Uniform Traffic Tickets - State Auditor's Regulations

Uniform Traffic Ticket Issuing and Log Book

The municipal court clerk must issue the uniform traffic tickets to be used by municipal law enforcement officers and trainees. These pre-numbered tickets must be bound in booklets and accounted for in a log book of all ticket booklets issued. The log book must document the name of the officer each ticket book is issued to, date of issue and ticket numbers included in the booklet. Log books may be hard copy or electronic (see Section 75-12-13). Unused tickets and ticket books may be turned in to the court clerk for reissue or disposal. Accountability for disposition of individual traffic tickets is a matter of local policy.

Uniform Traffic Ticket Processing

Uniform traffic tickets prescribed by the State Auditor and Attorney General must be printed to include the name of the issuing municipality and numbered up to eight digits. Other information relevant to charges and court processing may be added. The violator's copy of the ticket must contain the prescribed "notice to violator" information.

All copies of the traffic ticket must be completely filled out and signed by the issuing law enforcement officer. The officer must also swear to the accuracy of the original ticket when required for prosecution.

All traffic tickets must contain an original with three copies. The tickets are distributed with the
Original for the court,
Second copy for the Commissioner of Public Safety,
Third copy for the issuing officer, and
Fourth copy for the violator.

The commissioner's copy of traffic tickets must be filed within 45 days or in case of no judgement, within 120 days. Sec. 63-11-37 requires abstracts of DUI convictions be filed within five days. The Department of Public Safety may request earlier filing.

It is not necessary to include or send a copy for the State Auditor.

MUNICIPAL POLICE DEPARTMENT PROCEDURES

Improper Motor Vehicle Tag or Decal Procedure

Section 27-19-63, Miss. Code Ann. (1972), states a \$250 penalty shall be assessed against any person who is liable for the motor vehicle privilege license tax and who displays an out-of-state license tag on the vehicle; or displays a license tag or privilege license decal on the motor vehicle which was issued for another vehicle.

It also states that "penalties shall be assessed on the privilege license tax at the rate of 5 percent (5%) for the first fifteen (15) days of delinquency, or part thereof, and 5 percent (5%) for each additional thirty-day period of delinquency, or part thereof, not to exceed a maximum penalty of twenty-five percent (25%)."

Section 27-19-127, Miss. Code Ann. (1972), explains if a municipal law enforcement officer enforces the collection, then one-half ($\frac{1}{2}$) of the \$250 penalty and one-half ($\frac{1}{2}$) of the penalty assessed on delinquent privilege license taxes shall be paid into a special fund of the municipality and may be appropriated and expended for any lawful purpose.

Procedures for Applying Legal Provisions

A municipal law enforcement officer may issue a ticket if a Mississippi resident displays an out-of-state license tag on his or her motor vehicle or displays a license tag or privilege license decal on an inappropriate motor vehicle. If the municipal law enforcement officer issues a ticket for one of these charges, he/she should inform the offender of the \$250 penalty.

The municipal law enforcement officer must transmit a copy of the ticket to the tax collector in the county in which the offender resides.

The county tax collector must collect the \$250 penalty and any other applicable penalties when the offender pays the privilege tax. The county tax collector must send the \$250 penalty and any other applicable penalties to the chancery clerk of the county where the offender resides. These amounts are a part of the monthly settlement of the tax collector. The county tax collector must identify the municipal law enforcement officer who issued the applicable ticket.

If a municipal law enforcement officer issued the ticket, the chancery clerk shall deposit one-half ($\frac{1}{2}$) of the \$250 penalty and one-half ($\frac{1}{2}$) of the delinquent penalties on the privilege license tax into the county road fund. The other one-half ($\frac{1}{2}$) of the applicable penalties shall be sent to the city clerk in the municipality for which the law enforcement officer works. When the city clerk receives the municipality's portion of the applicable penalties, the clerk shall deposit the penalties into a special fund for the police department. This money may be used for any lawful purpose. The law enforcement officer is not personally entitled to any of the penalties.

Uniform Traffic Tickets - Police Procedures

Section 63-9-21, Miss. Code requires the State Auditor and Attorney General to jointly prescribe uniform traffic tickets to be used by municipal police officers. This law requires the municipal court clerk to account for and issue these tickets; therefore, procedures for uniform traffic tickets are included in the “Municipal Court Procedures” section of this guide. These procedures should be reviewed by the municipal police chief and officers for an understanding of police officer responsibility.

CONTRACTING WITH COLLECTION AGENCIES

Section 21-17-1 authorizes the Board/Council to contract with certain collectors for the collection of delinquent payments owed to the municipality (fines, fees, etc.). This law limits who the Board/Council may contract with, sets conditions on contract provisions, and requires compliance with regulations prescribed by the State Auditor. It also allows the Board/Council to impose specified percentage amounts to be paid by a delinquent person.

These contracting procedures are as follows:

Who Can Be Contracted With

The municipal Board/Council may contract with the following collection agents in addition to in house collection efforts.

Private Attorneys in good standing with the Mississippi Bar.

Private Collection Agents or Agencies who meet all licensing requirements for doing business in the State of Mississippi. (Local Privilege License Sec. 27-17-9)

Collection Fees

Imposing Collection Fees

Collection fees may be set by the Board/Council upon the delinquent person upon successful collection.

In House Collection Fees

These fees may only be imposed for in house collections where the fine, etc. has been delinquent for 90 days. In house means collections made by employees of the municipality.

Up to Fifteen per cent (15 %) of total collection made in state.

Up to Twenty Five per cent (25 %) of total collection made out of state.

Contract Collection Fees

These fees are imposed up to the following limits upon delinquent payments. Delinquency must be defined. This fee applies to collections made under contract with qualified attorneys or collection agencies.

Up to Twenty Five per cent (25 %) of total collection made in state.

Up to Fifty Per Cent (50 %) of total collection made out of state.

Credit Card Use

Delinquent payment collected along with collection fees may be collected by credit card or electronic transfer. The municipality may pay the credit service fee from the collection fee. See Sec. 17-25-1 (and this guide) for other credit card service fee payment authority.

Fee Settlement

Collection fees must be deposited into the General Fund as an unrestricted revenue item.

Bonding Requirements

Collection agents, agencies and attorneys must give bond or surety payable to the municipality in an amount set by the Board/Council.

Collection Agent Contract Terms

Collection Agent's Compensation

Terms of the collection contract may provide for payment as a percentage of the successfully collected delinquent fine, or other method of compensation such as flat amount payment for the service. The percentage payment method may be contracted for more or less than the percentage collection amount imposed by the Board/Council upon the defendant. Contracts may provide for payments for services such as letter mailings, telephone calls, etc. as determined by the Board/Council to be in the best interest of the municipality.

Collection Agent's Settlements

Contracts must require all collections be turned in to the municipality (Collections may not be reduced for compensation, costs, etc.). The Municipality must provide the contracted collector with a receipt for all collections. Municipal officers must provide necessary information to the board/council for claim for services payment evaluation.

Collection Agent's Claims For Payment

Payments due collection agency, attorney, etc. must be paid by a claim property filed with the clerk of the municipality and approved by the Board/Council pursuant to Section 21-39-9.

Special Contract Conditions

Contracts should address circumstances where a person (whose delinquency has been turned over to the collector for collection) pays his/her delinquent payment directly to the municipality rather than the contracted collector.

Contracts should explain the total delinquent amount is due, and may not be reduced by cost such as out of state taxes on collections.

Contracts should also address any other issues that may confuse what is collectable, amounts due and compensation.

CONTRACTING TO ACCEPT CREDIT CARDS

Authority To Accept Credit Cards

Section 17-25-1, Miss. Code, authorizes municipalities to accept payment of taxes, fees and other accounts receivable by credit cards, charge cards, debit cards and other forms of electronic payment in accordance with policies established by the State Auditor. This law requires fees or charges must be assessed to the user of the electronic payment as an additional charge for processing the electronic payment, so that the user will pay the full cost of using the electronic payment. The policies were issued for this authority.

Who May Be Contracted With

The governing authority may enter into a contract with one or more credit card issuers, financial institutions or third party credit card processors to accept payments for fees, taxes and other accounts receivable by credit cards, charge cards, debit cards, and other forms of electronic payment.

Contract Requirements

The services to be provided by the processor and the fees for such services must be included in a contract approved by the governing authority.

The contract must allow the addition of the processing fee to the originating tax, fee or other payment to require the full cost of using electronic forms of payment to be borne by the tax or fee payer.

The contract may be entered into by negotiation and must be recorded on the governing authority's minutes.

Cost of Service Requirements

The governing authority must determine the amount or percentage to add on for each type of credit card, charge card, debit card, and other forms of electronic payment to be accepted so that the user of the electronic payment method will pay the full cost of using such payment method.

The governing authority must notify the electronic payment user of the amount of the processing fee that is being added to the tax, fee, or accounts receivable bill before such charges are assessed. Such processing fee shall be plainly included and identified on the receipt given to the payer.

Receipt and Accounting Requirements

If the contract calls for the processing fee to be withheld from the amount charged electronically, the processing cost should be noted on the receipt and included in the total charged to the payer and noted in the financial records for verification purposes, but should not be recorded as a revenue receipt in the appropriate journal. The amount due for payment of the tax, fee or accounts receivable should be recorded and settled as in ordinary cash collections. The processing fee will be withheld by the processor and will not flow through the governing authority's accounting journals. However, the processing fee charged and withheld by the processor shall be verified to insure proper collection.

If the contract calls for the processing fee to be paid by invoice as a claim, the processing cost should be noted on the receipt, included in the total charged to the payer and recorded in the appropriate accounting journal as a revenue receipt for future settlement to a separate governing authority fund. A separate column or field should be established in the accounting records to record the processing fee. The processing fee must be recorded in a manner that would allow identification and reconciliation to the proper processor. Each itemized invoice from the processor must be reconciled with the accounting records of the processing cost charged and received to insure proper payment to the appropriate processor for each processing fee. The itemized invoices would then be paid upon approval of the governing authority as other claims from the various governing authority funds.

Dishonored Charge Requirements

The contract must clearly indicate that the governing authority is not responsible for processing costs or penalties for credit cards, charge cards, debit cards or any other form of electronic payment. Terms for charges disputed by the card account holder and subsequently dishonored and charged back to the governing authority should be clearly identified in the contract. Such dishonored transactions charged back to the governing authority after initial approval of the payment processor should be handled in generally the same manner as bad checks and are considered not paid.

Amount of Collection Requirement

In any case, the governing authority must receive the entire amount that constitutes the ordinary amount due for the tax, fee or accounts receivable without accepting a discounted payment of such tax, fee or accounts receivable.

Other Procedures

In conducting collection of delinquent payments, the governing authorities of counties and municipalities may utilize credit cards or electronic funds transfers. Section 19-3-41(4), Mississippi Code 1972, Ann., allows boards of supervisors and Section 21-17-1, Mississippi Code 1972, Ann., allows municipalities to pay any service fees for the use of such methods of collection from the collection fee authorized by those statutes, but not from the delinquent payment. This exception to these regulations should be carefully considered when entering into contracts for electronic payment processing.

SECTION IV - MUNICIPAL AUDIT REQUIREMENTS

State law requires all municipalities have an annual audit. This law is specific with regard to type of audit, who may perform the audit and other conditions. The State Auditor is charged with the responsibility to prescribe guidelines for the audit process.

The following explains the municipal audit responsibilities of the municipal officials and the municipal auditors.

SECTION IV - MUNICIPAL AUDIT REQUIREMENTS

A. LEGAL REQUIREMENTS FOR THE AUDIT

B. GUIDELINES FOR MUNICIPAL OFFICIALS

- Audit Contracts
- Management's Discussion and Analysis
- Publication and Distribution of Annual Audit
- Municipal Compliance Questionnaire

C. GUIDELINES FOR MUNICIPAL AUDITORS

- Qualifications and Procedures

D. TYPES OF AUDITS

- Full Scope Audits
- Special Reports
 - Compilation Report and Compliance Letter
 - Special Report and Compliance Letter - Single Audit Upgrade

E. EXAMPLES OF REPORTS AND SCHEDULES

- Special Report on Agreed-Upon Procedures For Small Municipalities
- Combined Statement of Cash Receipts and Disbursements
- Notes to the Financial Statements
- Schedule of Investments
- Schedule of Long-Term Debt
- Schedule of Surety Bonds for Municipal Officials
- Suggested Compliance Audit Procedures
- Independent Auditor's Report on Compliance with State Laws and Regulations
- Management's Discussion and Analysis

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LEGAL REQUIREMENTS FOR THE AUDIT

Section 21-35-31, Miss. Code Ann. (1972), requires all municipalities have an annual audit of their books. The requirements of this law are as follows:

The governing authorities must contract an audit to be completed prior to the close of the next succeeding fiscal year.

The governing authorities of the municipality may enter into a contract for the audit, without the necessity of soliciting bids.

The governing authorities of municipalities with a population of 3,000 or less may contract for a compilation report and a compliance letter in lieu of an annual audit, if they declare on their official minutes the cost of an audit would create a financial hardship.

The auditor must be a CPA who has paid a privilege tax as such in this state or a competent accountant approved by the State Auditor.

The audit or compilation must be made in accordance with guidelines prescribed by the State Auditor.

Payment for the cost of the audit shall be from the general fund.

Two copies of the audit or compilation must be mailed to the State Auditor within 30 days after completion.

A synopsis of the audit, as defined by the State Auditor, must be published within 30 days after completion of the audit. The publication must be in a newspaper published in the municipality or, if no newspaper is published in the municipality, in a newspaper having general circulation in the county. As an alternative to publishing the synopsis, the audit may be publicized as provided by Section 21-17-19, Miss. Code Ann. (1972). Further, the publication shall be made one (1) time and the municipality may only pay one-half ($\frac{1}{2}$) of the legal rate prescribed by law for such legal publications [Section 25-7-65, Miss. Code Ann. (1972)].

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GUIDELINES FOR MUNICIPAL OFFICIALS

Audit Contracts

These guidelines have been developed for use by municipal officials when contracting for the annual municipal audit. These guidelines should be carefully reviewed and followed to assure full compliance with state law.

Contract Requirements -- The governing authorities must enter into a written contract with a municipal auditor to perform the annual audit. This contract must assure the auditor's reports, financial statements and supplemental schedules are prepared in accordance with the guidelines presented in the "Municipal Auditing Guide" and state law, as explained in this section under "Legal Requirements for the Audit." The audit contract may be for one or more years up to the last year of the term of office of the governing authorities. The auditor's engagement letter may serve as the written contract. The contract must also address the requirement to provide necessary hard and electronic copies of the audit report and allow subsequent auditors reasonable access to predecessor auditor's working papers.

Record Access -- In connection with the annual audit, the municipality must make all relevant records available to the municipal auditor and provide appropriate assistance.

Audit Content -- Section 21-35-31, Miss. Code Ann. (1972) requires all municipalities to have an annual audit. If a municipality has a population of less than 3,000 and determines that the cost of an audit will create a financial hardship on the municipality, the municipality will be allowed to prepare a compilation report and an agreed-upon procedures report on legal compliance. The following describe what is to be included in the reports, depending upon the option exercised. The governing authorities of the municipality must contract for a full scope audit or, if it qualifies, for the appropriate special report.

Compliance Questionnaire -- As part of the municipality's audit, the governing authorities of the municipality must make certain assertions with regard to legal compliance. The municipal compliance questionnaire was developed for this purpose. The questionnaire and related certification must be completed at the end of the municipality's fiscal year and entered into the official minutes of the governing authorities at their next regular meeting.

Management's Discussion and Analysis - (See Schedule 9)

Governing authorities who contract for full scope audits will be required to prepare a management's discussion and analysis. This report will require financial and statistical information as well as certain statements of the governing authorities.

Publication and Distribution of Annual Audit

State law requires the municipality, within 30 days after the completion of the annual audit, to follow certain procedures governing publication of audit report information and distribution of the audit report.

Publication of Annual Audit

Legal requirements call for municipalities to provide public notice of the completion and availability of the annual audit. The form of this public notice depends upon options exercised by the governing authorities of the municipality.

Municipalities have an option of two public notice procedures. These are as follows:

Synopsis of Audit Option -- NOT RECOMMENDED

This option, authorized in Section 21-35-31, Miss. Code Ann. (1972), requires a municipality to publish a "synopsis of the audit" as defined by the State Auditor. For this purpose, the following definition is provided:

Definition of *Synopsis* - The entire audit report

Substance of Publication Option -- RECOMMENDED

This option, as provided by Section 21-17-19, Miss. Code Ann. (1972), requires:

- publishing of the substance and availability of the audit;
- posting of the audit at the city hall, library or courthouse, and one other public place; and
- providing of a copy of the audit to any municipal residents who make a request for one.

This office recommends the notice of audit completion be published at least twice in a newspaper serving the municipality and the following format be used when publishing the substance and availability of the audit.

EXAMPLE 1 - For cities issuing a compiled (unaudited) financial report

<p style="text-align: center;">PUBLIC NOTICE</p> <p>The City of _____</p> <p>hereby gives notice that its annual financial</p> <p>report for the year ended _____</p> <p>has been completed. Copies are available</p> <p>to the public at</p> <p>_____.</p>
--

EXAMPLE 2 - For cities issuing an audited financial report

<p style="text-align: center;">PUBLIC NOTICE</p> <p>The City of _____</p> <p>hereby gives notice that its annual audited</p> <p>financial report for the year ended</p> <p>_____ has been completed.</p> <p>Copies are available to the public at</p> <p>_____.</p>
--

Note: The minimum size of this publication is two columns wide by three inches long.

Transmittal Letter for Municipal Audit Reports

Number of Copies to be Transmitted -- Two hard copies and one electronic copy of the completed audit or compilation report must be sent to the State Auditor. If the a Federal Single Audit report is prepared, the municipality is reminded a copy of the report and a data collection form must be sent to the U. S. Census Federal Clearinghouse.

Format for Transmittal Letter -- In addition to sending the State Auditor and Clearinghouse the appropriate reports, the mayor of the municipality must also provide the State Auditor a transmittal letter. This transmittal letter must contain a statement regarding the existence of any management letters. If management letters have been written, a hard and electronic copy must be transmitted to the State Auditor along with each audit or compilation report sent.

The appropriate transmittal letter should be written as follows:

Office of the State Auditor
P.O. Box 956
Jackson, Mississippi 39205

Re: Annual Municipal Audit

Accompanying this letter is a copy of the annual audit (compilation) of the city (town) of _____, Mississippi, for the fiscal year ended September 30, 20____. In connection with this audit (compilation), a separate management letter was written to the city (town). Enclosed you will find a copy of this management letter along with the audit (compilation) reports.

OR

Accompanying this letter is a copy of the annual audit (compilation) of the city (town) of _____, Mississippi, for the fiscal year ended September 30, 20____. A separate management letter was not written to the city (town) in connection with this audit.

Sincerely,

(Mayor's Signature)
Mayor

Municipal Compliance Questionnaire

As part of the municipality's audit, the governing authorities of the municipality must make certain assertions with regard to legal compliance. The municipal compliance questionnaire was developed for this purpose.

The following questionnaire and related certification must be completed at the end of the municipality's fiscal year and entered into the official minutes of the governing authorities at their next regular meeting.

The governing authorities should take care to answer these questions accurately. Incorrect answers could reduce the auditor's reliance on the questionnaire responses, resulting in the need to perform additional audit procedures at added cost.

Information

Note: Due to the size of some municipalities, some of the questions may not be applicable. If so, mark N/A in answer blanks. Answers to other questions may require more than "yes" or "no," and, as a result, more information on this questionnaire may be required and/or separate work papers may be needed.

1. Name and address of municipality:

2. List the date and population of the latest official U.S. Census or most recent official census:

3. Names, addresses and telephone numbers of officials (include elected officials, chief administrative officer, and attorney).

4. Period of time covered by this questionnaire:

From: _____ To: _____

5. Expiration date of current elected officials' term: _____

MUNICIPAL COMPLIANCE QUESTIONNAIRE
Year Ended September 30, 20__

Answer All Questions: Y - YES, N - NO, N/A - NOT APPLICABLE

PART I - General

1. Have all ordinances been entered into the ordinance book and included in the minutes? (Section 21-13-13) _____
2. Do all municipal vehicles have public license plates and proper markings? (Sections 25-1-87 and 27-19-27) _____
3. Are municipal records open to the public? (Section 25-61-5) _____
4. Are meetings of the board open to the public? (Section 25-41-5) _____
5. Are notices of special or recess meetings posted? (Section 25-41-13) _____
6. Are all required personnel covered by appropriate surety bonds?
 - Board or council members (Sec. 21-17-5) _____
 - Appointed officers and those handling money, see statutes governing the form of government (i.e., Section 21-3-5 for Code Charter) _____
 - Municipal clerk (Section 21-15-38) _____
 - Deputy clerk (Section 21-15-23) _____
 - Chief of police (Section 21-21-1) _____
 - Deputy police (Section 45-5-9) (if hired under this law) _____
7. Are minutes of board meetings prepared to properly reflect the actions of the board? (Sections 21-15-17 and 21-15-19) _____
8. Are minutes of board meetings signed by the mayor or majority of the board within 30 days of the meeting? (Section 21-15-33) _____
9. Has the municipality complied with the nepotism law in its employment practices? (Section 25-1-53) _____
10. Did all officers, employees of the municipality, or their relatives avoid any personal interest in any contracts with the municipality during their term or within one year after their terms of office or employment? (Section 25-4-105) _____

11. Does the municipality contract with a Certified Public Accountant or an auditor approved by the State Auditor for its annual audit within twelve months of the end of each fiscal year? (Section 21-35-31)

12. Has the municipality published a synopsis or notice of the annual audit within 30 days of acceptance? (Section 21-35-31 or 21-17-19)

PART II - Cash and Related Records

1. Where required, is a claims docket maintained? (Section 21-39-7)

2. Are all claims paid in the order of their entry in the claims docket? (Section 21-39-9)

3. Does the claims docket identify the claimant, claim number, amount and fund from which each warrant will be issued? (Section 21-39-7)

4. Are all warrants approved by the board, signed by the mayor or majority of the board, attested to by the clerk, and bearing the municipal seal? (Section 21-39-13)

5. Are warrants for approved claims held until sufficient cash is available in the fund from which it is drawn? (Section 21-39-13)

6. Has the municipality adopted and entered on its minutes a budget in the format prescribed by the Office of the State Auditor? (Sections 21-35-5, 21-35-7 and 21-35-9)

7. Does the municipality operate on a cash basis budget, except for expenditures paid within 30 days of fiscal year end or for construction in progress? (Section 21-35-23)

8. Has the municipality held a public hearing and published its adopted budget? (Sections 21-35-5, 27-39-203, & 27-39-205)

9. Has the municipality complied with legal publication requirements when budgetary changes of 10% or more are made to a department's budget? (Section 21-35-25)

10. If revenues are less than estimated and a deficit is anticipated, did the board revise the budget by its regular July meeting? (Section 21-35-25)

11. Have financial records been maintained in accordance with the chart of accounts prescribed by the State Auditor?
(Section 21-35-11) _____
12. Does the municipal clerk submit to the board a monthly report of expenditures against each budget item for the preceding month and fiscal year to date and the unexpended balances of each budget item? (Section 21-35-13) _____
13. Does the board avoid approving claims and the city clerk not issue any warrants which would be in excess of budgeted amounts, except for court-ordered or emergency expenditures? (Section 21-35-17) _____
14. Has the municipality commissioned municipal depositories?
(Sections 27-105-353 and 27-105-363) _____
15. Have investments of funds been restricted to those instruments authorized by law? (Section 21-33-323) _____
16. Are donations restricted to those specifically authorized by law? [Section 21-17-5 (Section 66, Miss. Constitution) -- Sections 21-19-45 through 21-19-59, etc.] _____
17. Are fixed assets properly tagged and accounted for?
(Section II - Municipal Audit and Accounting Guide) _____
18. Is all travel authorized in advance and reimbursements made in accordance with Section 25-3-41? _____
19. Are all travel advances made in accordance with the State Auditor's regulations? (Section 25-3-41) _____

PART III - Purchasing and Receiving

1. Are bids solicited for purchases, when required by law (written bids and advertising)? [Section 31-7-13(b) and (c)] _____
2. Are all lowest and best bid decisions properly documented? [Section 31-7-13(d)] _____
3. Are all one-source item and emergency purchases documented on the board's minutes? [Section 31-7-13(m) and (k)] _____
4. Do all officers and employees understand and refrain from accepting gifts or kickbacks from suppliers? (Section 31-7-23) _____

PART IV - Bonds and Other Debt

1. Has the municipality complied with the percentage of taxable property limitation on bonds and other debt issued during the year? (Section 21-33-303) _____
2. Has the municipality levied and collected taxes, in a sufficient amount for the retirement of general obligation debt principal and interest? (Section 21-33-87) _____
3. Have the required trust funds been established for utility revenue bonds? (Section 21-27-65) _____
4. Have expenditures of bond proceeds been strictly limited to the purposes for which the bonds were issued? (Section 21-33-317) _____
5. Has the municipality refrained from borrowing, except where it had specific authority? (Section 21-17-5) _____

PART V - Taxes and Other Receipts

1. Has the municipality adopted the county ad valorem tax rolls? (Section 27-35-167) _____
2. Are interest and penalties being collected on delinquent ad valorem taxes? (Section 21-33-53) _____
3. Has the municipality conducted an annual land sale for delinquent ad valorem taxes? (Section 21-33-63) _____
4. Have the various ad valorem tax collections been deposited into the appropriate funds? (Separate Funds for Each Tax Levy) (Section 21-33-53) _____
5. Has the increase in ad valorem taxes, if any, been limited to amounts allowed by law? (Sections 27-39-320 and 27-39-321) _____
6. Are local privilege taxes collected from all businesses located within the municipality, except those exempted? (Section 27-17-5) _____
7. Are transient vendor taxes collected from all transient vendors within the municipality, except those exempted? (Section 75-85-1) _____
8. Is money received from the state's "Municipal Fire Protection Fund" spent only to improve municipal fire departments? (Section 83-1-37) _____

9. Has the municipality levied or appropriated not less than 1/4 mill for fire protection and certified to the county it provides its own fire protection or allowed the county to levy such tax? (Sections 83-1-37 and 83-1-39) _____
10. Are state-imposed court assessments collected and settled monthly? (Section 99-19-73, 83-39-31, etc.) _____
11. Are all fines and forfeitures collected when due and settled immediately to the municipal treasury? (Section 21-15-21) _____
12. Are bids solicited by advertisement or, under special circumstances, three appraisals obtained when real property is sold? (Section 21-17-1) _____

(MUNICIPAL NAME)

Certification to Municipal Compliance Questionnaire

Year Ended September 30, 20__

We have reviewed all questions and responses as contained in this Municipal Compliance Questionnaire for the Municipality of _____, and, to the best of our knowledge and belief, all responses are accurate.

(City Clerk's Signature)

(Mayor's Signature)

(Date)

(Date)

Minute Book References:

Book Number _____

Page _____

(Clerk is to enter minute book references when questionnaire is accepted by board.)

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GUIDELINES FOR MUNICIPAL AUDITORS

These guidelines have been developed for use by auditors who contract with municipalities for their legally required annual audit. Generally, they provide information on what is required for each type of municipal audit.

Qualifications and Procedures

Legal Authority -- Municipal audit and accounting requirements are prescribed in accordance with Sections 21-35-29, 21-35-31, and 7-7-211, Miss. Code Ann. (1972). This means that for a municipal audit to be prepared in accordance with state law, it must be prepared as required by this guide.

Auditor Qualifications -- Municipal auditors are reminded that Section 21-35-31, Miss. Code Ann. (1972), requires any municipal auditor must be either a Certified Public Accountant who has paid a privilege tax as such in the State of Mississippi or a competent accountant who has been approved by the State Auditor.

Public Accountants should contact the state auditor's office for approval to contract municipal audits.

Contract Requirements -- The preceding portion of this guide "Guidelines for Municipal Officials" requires the municipality enter into a written contract for audit services. This contract may take the form of a standard engagement letter. This contract should make clear which of the listed types of audits is to be performed and what additional services are to be provided.

Auditing Standards -- All audit and compilation services must be provided in accordance with appropriate generally accepted auditing standards (GAAS) or standard for accounting and review services (SARS) as prescribed by the American Institute of Certified Public Accountants (AICPA). Other auditing standards, such as government auditing standards (yellow book) prescribed by the United States General Accounting Office (GAO) are only required in those cases where the municipality contracts for such services. GAO auditing standards will be required when a municipality contracts for federal audit work, such as a federal single audit.

Auditing Procedures -- It is the auditor's responsibility to develop a suitable audit program encompassing the applicable above-mentioned standards. Appropriate reference material would include the AICPA Audit Guide of State and Local Governments, Federal Compliance Supplement and commercially prepared audit guides for State and Local Governments. Compliance audit procedures presented in "Example 7" are offered as suggestions only.

Substantial Non-Compliance Reporting Procedure -- The auditor should contact the state auditor's office for additional guidance if misappropriation of public funds, services or property; or other substantial non-compliance with legal requirements is determined to have occurred, or is suspected.

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TYPES OF REPORTS

Municipal authorities may contract for several types of audits. The following list requirements for each type of audit.

Full Scope Audits

Audit reports of municipalities are to be prepared in accordance with Generally Accepted Accounting Principles as prescribed by the Governmental Accounting Standards Board (GASB). All audit reports prepared for Fiscal Year 2003 and after must be prepared in accordance with GASB Statement 34 and have all of the required schedules and statements. Some of the significant changes mandated by this statement are as follows:

- Management Discussion and Analysis (MD&A) Prepared by Management
- Entity-Wide Presentation as well as Fund Presentation
- Budget Comparisons: Actual to original as well as amended budgets
- Basis of accounting:
 - Full accrual accounting for the entity wide financial statements
 - Modified accrual accounting for the fund statements
 - Cash basis for budget comparison
- Depreciation

Audits shall be performed in accordance with Generally Accepted Auditing Standards.

Should an entity expend \$300,000 in federal funds during the fiscal year, the entity will be required to have an audit performed in accordance with the Single Audit Act. In this case, the auditor should include all applicable additional reports as required by the Single Audit Act. Single Audits shall be performed in accordance with Government Auditing Standards.

Additionally, the following schedules and reports should be included in the audit report:

Schedule of Surety Bonds for Municipal Officials - (See Example 6)

Report on Compliance with State Laws and Regulations - (See Example 8)

Each municipality must prepare a "Municipal Compliance Questionnaire" (MCQ) and enter it into the official minutes. The municipal auditor should review the assertions made in this questionnaire and perform such compliance audit procedures as are appropriate. Upon completion of audit procedures, the auditor should prepare a special report for the purpose of reporting instances of material noncompliance with legal requirements addressed in the MCQ and any other findings of material non-compliance with legal requirements. If there are no instances of noncompliance, the special report should make a statement of negative assurance. The statement of negative assurance may read as follows:

In connection with our audit, nothing came to our attention that caused us to believe that the (name of municipality) had not complied with the requirements of the Office of the State Auditor, as set forth in the Municipal Compliance Questionnaire.

Special Reports

Under certain conditions, municipalities may contract for one of the following special reports options in lieu of a full scope audit. These options are intended to provide minimal reporting at reduced cost.

In order to qualify for this type report, a municipality must have a population of 3,000 or less and its governing authorities must make a declaration on their minutes that a full scope audit would be a financial hardship to the municipality.

Compilation Report and Compliance Letter

This option involves a compilation of certain financial information and a special report on specific agreed-upon audit procedures. This option should not be used if the municipality is required to have a federal single audit.

The reporting requirements for this option are as follows:

Special Report on Agreed-Upon Procedures for Small Municipalities -- This is a special audited report prepared by the auditor to provide assurances with regard to certain accounting and compliance responsibilities of the municipality. (See Example 1)

The procedures required to prepare this report are as follows:

Cash (including investments)

Confirm and reconcile cash on deposit and investments made by all funds as of the end of the fiscal year.

Physically inspect investment securities as of the end of the fiscal year if amounts were not confirmed.

Examine all investment transactions during the fiscal year for compliance with Section 21-33-323, Miss. Code Ann. (1972).

Ad Valorem Taxes

Prove assessed valuation to county ad valorem tax rolls.

Trace levies to governing body minutes.

Determine that sales of property for delinquent taxes were conducted [Section 21-33-63, Miss. Code Ann. (1972)].

Trace settlements to the proper funds.

Determine that increases in ad valorem taxes are within the growth limitation allowed by law [Sections 27-39-320 through 27-39-323, Miss. Code Ann. (1972)].

State Receipts

Confirm payments from the Department of Finance and Administration.
Trace deposits into municipal treasury as recorded in the cash receipts journal.

Disbursements

Sample purchasing transactions and determine compliance with state purchasing laws [Section 31-7-13, Miss. Code Ann. (1972)].
Review board minutes for approvals of claims.

Municipal Compliance Questionnaire

Determine that the municipal compliance questionnaire was completed, signed and recorded in the board's minutes.
Test the completed questionnaire to determine that it was accurately prepared.
Include any instances of noncompliance in the auditor's special report on agreed-upon procedures.

Accountant's Compilation Report -- This is an accountant's report on the following statement and schedules. This report is prepared in accordance with AICPA Standard for Accounting and Review Services.

Combined Statement of Cash Receipts and Disbursements -- This is a cash basis statement of all cash received and disbursed by the various funds of the municipality during the fiscal year. (See Example 2)

Schedule of Long-term Debt -- This schedule lists all long term debt of the municipality. (See Example 5)

Schedule of Surety Bonds for Municipal Officials -- This scheduled lists all officers and employees of the municipality who are bonded for their official duties. (See Example 6)

Special Report and Compliance Letter - Single Audit Upgrade

This "special report option" is designed to be an upgrade of the special report option presented in the "Compilation Report and Compliance Letter." *The purpose of this upgrade is to provide for the financial information to be audited rather than compiled. This is necessary for the financial statements to meet the requirements associated with a federal single audit.* Federal single audit requirements call for audited financial statements; they do not require the financial statements be prepared in accordance with Generally Accepted Accounting Principles (GAAP); therefore, GAAP financial statements are not required. The audit work must be performed in accordance with Government Auditing Standards. See AICPA Statement of Position 98-3 for guidance.

The reporting requirements for this option are as follows:

Independent Auditor's Report -- This is an auditor's report on the following statement and schedules. This report should express the auditor's opinion with regard to the audit procedures used and nature of the non-GAAP receipts and disbursements statement and supplemental information schedules.

Combined Statement of Cash Receipts and Disbursements -- This is a cash basis *audited* statement of all cash received and disbursed by the various funds of the municipality during the fiscal year. This statement should also include such notes to the statement as are necessary for it not to be misleading. (See Example 2)

Schedule of Long-term Debt -- This is an *audited* scheduled listing of all long term debt of the municipality. (See Example 5)

Schedule of Investments - All Funds -- This is an *audited* scheduled listing of all investments belonging to the municipality as of the end of the fiscal year. (See Example 4)

Schedule of Surety Bonds for Municipal Officials -- This is an *audited* scheduled listing of all officers and employees of the municipality who are bonded for their official duties. (See Example 6)

Report of Compliance with State Laws and Regulations - (See Example 8)

Each municipality must prepare a "Municipal Compliance Questionnaire" MCQ and enter it into the official minutes. (See the section of this guide on Guidelines for Municipal Officials.) The municipal auditor should review the assertions made in this questionnaire and perform such compliance audit procedures as are appropriate. Upon completion of audit procedures, the auditor should prepare a special report for the purpose of reporting instances of material noncompliance with pertinent legal requirements addressed in the MCQ and any other findings of material non-compliance with legal requirements. If there are no instances of noncompliance, the special report should make a statement of negative assurance. The statement of negative assurance may read as follows:

In connection with our audit, nothing came to our attention that caused us to believe the (name of municipality) had not complied with the requirements of the State of Mississippi; and the Office of the State Auditor, as set forth in the Municipal Compliance Questionnaire.

All Reports and Schedules Required for the Federal Single Audit -- This is a reference to the reports and schedules required by the federal government when a federal single audit is performed.

EXAMPLES OF REPORTS AND SCHEDULES

Example 1

SPECIAL REPORT ON AGREED-UPON PROCEDURES FOR SMALL MUNICIPALITIES (TOWNS)

(Compliance Letter)

Governing Body
Town of Crossroads, Mississippi

We have applied certain agreed-upon procedures, as discussed below, to the accounting records of the Town of Crossroads, Mississippi, as of September 30, 20XX, and for the year then ended, as required by the Office of the State Auditor, under the provisions of Section 21-35-31, Miss. Code Ann. (1972). It is understood the report is solely for the use of the governing body of the Town of Crossroads, Mississippi, and the Office of the State Auditor and should not be used for any other purposes. Our procedures and findings are as follows:

1. We reconciled cash on deposit with the following banks to balances in the respective general ledger accounts and obtained confirmation of the related balances from the banks:

EXAMPLE:

<u>Bank</u>	<u>Fund</u>	<u>Balance Per General Ledger</u>
ABC National Bank	General	\$ 5,000
DEF Bank	General	<u>6,000</u>
	Total General Fund	<u>11,000</u>
XYZ State Bank	Utility	3,000
GHI Bank	Debt Service	6,000

2. We physically examined securities held for investment. Securities held in trust were confirmed directly with respective trustees. All investment transactions during the year were examined for compliance with investments authorized by Section 21-33-323, Miss. Code Ann. (1972).

EXAMPLE:

<u>General Security</u>	<u>Fund</u>	<u>Ledger Cost</u>
U.S. Treasury	General	\$ 23,285

3. We performed the following procedures with respect to taxes on real and personal property (including motor vehicles) levied during the fiscal year:
 - a. Verify use of certified county assessment rolls and trace levies to governing body minutes;
 - b. Examined uncollected taxes for proper handling, including tax sales;
 - c. Traced distribution of taxes collected to proper funds; and
 - d. Analyzed increase in taxes for most recent period for completion with increase limitations of Sections 27-39-320 to 27-39-323, Miss. Code Ann. (1972).

The distribution of taxes to funds was found to be in accordance with prescribed tax levies, and uncollected taxes were determined to be properly handled.

Ad valorem tax collections were found to be within the limitations of Sections 27-39-320 to 27-39-323, Miss. Code Ann. (1972).

Ad valorem tax collections for the retirement of general obligation debt was found to be sufficient for payment of current principal and interest in accordance with limitations imposed by Sections 21-33-87 and 21-33-303, Miss. Code Ann. (1972).

4. We obtained a statement of payments made by the Department of Finance and Administration to the municipality. Payments indicated were traced to deposit in the respective bank accounts and recorded in the general ledger without exception. Payments traced were as follows:

EXAMPLE:

<u>Payment Purpose</u>	<u>Receiving Fund</u>	<u>Ledger Amount</u>
Sales Tax Allocation	General Fund	\$ 37,268
Municipal Revolving Fund	General Fund	1,587

5. We selected a sample of purchases made by the municipality during the fiscal year. Each sample item was evaluated for compliance with purchasing requirements set forth in Title 31, Chapter 7, Miss. Code Ann. (1972), as applicable.

The sample consisted of the following:

EXAMPLE:

Number of Sample Items	60
Total Dollar Value of Sample	\$18,320

We found the municipality's purchasing procedures to be in agreement with the requirements of the above-mentioned sections (except as follows).

6. We have read the Municipal Compliance Questionnaire completed by the municipality. The following responses to the questionnaire indicate noncompliance with state requirements. (The completed survey indicated no instances of noncompliance with state requirements.)

Because the above procedures do not constitute an audit in accordance with generally accepted auditing standards, we do not express an opinion on any of the specific accounts or classes of transactions referred to above. In connection with the procedures referred to above, no matters came to our attention that caused us to believe the items specified in Paragraphs 1, 2 and 3 should be adjusted. Had we performed additional procedures or had we conducted an audit of the financial statements in accordance with generally accepted auditing standards, matters might have come to our attention that would have been reported to you. This report should not be associated with the financial statements of the Town of Crossroads, Mississippi, for the year ended September 30, 20XX.

(Signature of Firm)

(Date)

Example 2

TOWN OF _____, MISSISSIPPI

COMBINED STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS (ALL FUNDS)
For the Fiscal Year Ended September 30, 20XX

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Proprietary Funds</u>	<u>Fiduciary Funds</u>	Totals <u>(Memorandum Only)</u>	
							<u>20XX</u>	<u>20XX</u>
Revenue Receipts:								
General Property Taxes								
Penalties and Interest on Delinquent Taxes								
Licenses and Permits								
Intergovernmental Revenues:								
Federal Revenue								
(List Individually)								
General Municipal Aid								
(From State)								
State Shared Revenues:								
Sales Tax								
Gasoline Tax								
Motor Vehicle Tax								
Alcoholic Beverage Licenses								
Fire Insurance Premium Tax								
Distribution								
Others (List Individually)								
Charges for Services:								
Electricity Utility								
Water Utility								

Fines and Forfeits:								

Total Receipts								

Example 2

TOWN OF _____, MISSISSIPPI

**COMBINED STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS (ALL FUNDS)
For the Fiscal Year Ended September 30, 20XX**

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Proprietary Funds</u>	<u>Fiduciary Funds</u>	<u>Totals (Memorandum Only)</u> <u>20XX</u>	<u>20XX</u>
Other Receipts:								
Sale of Bonds								
Bank Loans								
Loans and Transfers								

Total Other Receipts								
Total Receipts								
Cash Balance - Beginning of Year								
TOTAL AMOUNT TO ACCOUNT FOR								
Operating Disbursements:								
General Government (Executive and Financial)								
Public Safety:								
Police								
Fire								

Highways and Streets:								
Repairs and Maintenance								

Sanitation								
Health								
Welfare								
Culture and Recreation:								
Parks								
Libraries								

Example 2

TOWN OF _____, MISSISSIPPI

**COMBINED STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS (ALL FUNDS)
For the Fiscal Year Ended September 30, 20XX**

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Proprietary Funds</u>	<u>Fiduciary Funds</u>	<u>Totals (Memorandum Only)</u> <u>20XX</u>	<u>20XX</u>
Playgrounds								
Enterprises:								
Electricity Utility								
Water Utility								
Interest on Bonds								
Paying Agent Fees on Bonds								
Others								
Total Operating Disbursements								
Other Disbursements:								
Bonds Retired								
Bank Loans Repaid								
Capital Outlay								
Loans and Transfers								
Total Other Disbursements								
Total Disbursements								
Cash Balance - End of Year								
TOTAL AMOUNT ACCOUNTED FOR								

See accompanying notes and accountant's compilation report.

Example 3

TOWN OF _____, MISSISSIPPI

NOTES TO THE FINANCIAL STATEMENTS
September 30, 20XX

Note A: Summary of Significant Accounting Policies

General Information

The town operates under the _____ form of government and provides services as authorized by law.

Reporting Entity

The financial statement of the town consists of all the funds of the town.

Fund Accounting

The accounts of the town are organized on the basis of funds, each of which is considered a separate accounting entity.

Basis of Accounting

The financial statement is prepared on a cash receipts and disbursements basis, as prescribed by the Office of the State Auditor. Consequently, certain revenues are recognized when received rather than when earned, and certain expenses are recognized when paid rather than when the obligation is incurred.

Note B: Report Classifications

Receipts and disbursements were classified according to requirements for small towns in the State of Mississippi as prescribed by the Office of the State Auditor.

Note C: Contingent Liability - Litigation

EXAMPLE:

On May 25, 20XX, an employee of the city's street department was injured on the job. In connection with this injury, the employee filed suit in _____ (Home) County Circuit Court, Cause #_____, for damages. It is highly probable the employee will prevail; however, the amount of potential loss is considered immaterial in relationship to these financial statements.

Example 4

TOWN OF _____, MISSISSIPPI

SCHEDULE OF INVESTMENTS - ALL FUNDS

September 30, 20__

OWNERSHIP	TYPE OF INVESTMENT	INTEREST RATE	ACQUISITION DATE	MATURITY DATE	OTHER INFORMATION	INVESTMENT COST/VALUE
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EXAMPLE:

General Fund	Certificate of Deposit	3.25 %	9/01/XX	180 Days	State Depository Bank of XXX	\$ 100,000
Debt Service	U.S. Treasury Note	3.00 %	9/01/XX	90 Days		9,925

TOTAL INVESTMENTS						\$ <u><u>109,925</u></u>
--------------------------	--	--	--	--	--	--------------------------

Example 5

TOWN OF _____, MISSISSIPPI

**SCHEDULE OF LONG-TERM DEBT
For the Fiscal Year Ended September 30, 20XX**

DEFINITION AND PURPOSE

	Balance Outstanding October 1, 20XX	Transactions During Fiscal Year Issued	Balance Outstanding September 30, 20XX
General Obligation Bonds:			
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
Revenue Bonds:			
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
Other Long-term Debt:			
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
TOTAL	=====	=====	=====

Example 6

MUNICIPALITY, MISSISSIPPI

**SCHEDULE OF SURETY BONDS FOR MUNICIPAL OFFICIALS
September 30, 20__**

<u>Name</u> _____	<u>Position</u> _____	<u>Surety</u> _____	<u>Bond Amount</u>
--------------------------	------------------------------	----------------------------	---------------------------

EXAMPLE:

B. A. Citizen	Alderman	XYZ Company	\$ 100,000
---------------	----------	-------------	------------

Example 7

Suggested Compliance Audit Procedures

The auditor should develop a legal compliance audit program to test selected legal requirements. The following compliance audit procedures are recommended. The auditor should also review the municipal compliance questionnaire to determine if the municipal officials' responses agree with audit results.

Budgets

Compliance Requirement:

See the "Laws on Budgeting" portion of the "Municipal Budgeting" section of this guide.

Suggested Audit Procedures:

- Review laws and rules governing appropriate budget functions.
- Review procedures relating to execution and control over the budget as adopted.
- Examine evaluated matters as to approval of both the originally adopted budget and any subsequent revisions.
- Compare final budget amounts with actual expenditures to determine whether the budget has been violated by over expenditure.

Vehicle Markings

Compliance Requirement:

Section 25-1-87, Miss. Code Ann. (1972), requires all municipal vehicles be marked, except police vehicles authorized by governing authorities.

Vehicles must be marked in a contrasting color by:

- Affixing on both sides of the vehicle a permanent decal or design which is at least twelve inches in width and height; or
- Painting the name of the municipality on each side of each vehicle in letters at least three inches in height and on the rear of each vehicle in letters at least one and one-half inches in height.

Suggested Audit Procedures:

By appropriate tests, determine vehicles are marked as required by state law. Particular attention should be given vehicles used by elected officials and city management.

Surety Bonds

Compliance Requirement:

Surety bond requirements may vary by position and form of government. Generally, requirements are as follows:

<u>Position</u>	<u>Amount</u>	<u>Law</u>
Municipal Clerk, Etc.	\$ 50,000 +	Section 21-15-38
Deputy Clerk	10,000 +	Section 21-15-23
Chief of Police	50,000 +	Section 21-21-1
Deputy Police	25,000 +	Section 45-5-9
Anyone Handling Money	10,000 +	Section 21-3-5
		Section 21-8-23
		Section 21-9-21
Board or Council	100,000*	Section 21-17-5
* An amount not to exceed based on assessed value of the municipality.		

Suggested Audit Procedures:

Examine and schedule surety bonds. Determine that coverage meets legal requirements.

Transfer Payments

Compliance Requirement:

Such payments each carry their own statutory and/or contractual requirements. These requirements can be identified by reviewing relevant sections of the Mississippi Code and contracts filed in the municipality.

Suggested Audit Procedures:

Obtain a listing of disbursements to the municipality from the Department of Finance and Administration. Trace amounts indicated to proper recording in the accounts.

Note:

A listing of disbursements from the Department of Finance and Administration can be obtained by writing to:

*Department of Finance and Administration
P. O. Box 1060
Jackson, Mississippi 39205*

Trace amounts indicated on the disbursements listing to proper recording in the municipality's accounts.

By appropriate tests, determine that funds were accounted for and disbursed in accordance with legal requirements.

Depositories**Compliance Requirement:**

Sections 27-105-1 et seq. Miss. Code Ann. (1972):

Municipalities to select depositories for no more than a two-year term.

Depositories must meet capital requirements and be certified by the State Treasurer.

Securities must be pledged to the State Treasurer in a manner to ensure adequate collateralization

Suggested Audit Procedures:

Determine that the municipality selects the depositories in a manner consistent with the statutes.

Determine that controls are in place to assure adequate collateralization of funds.

Investments**Compliance Requirement:**

Section 21-33-323, Miss. Code Ann. (1972), allows municipalities to invest surplus funds. These funds may only be invested in the types of investments listed in this law, and certificates of deposit must be purchased from the municipality's or the state's depositories. Restrictions also exist on interest rates and the disposition of interest earnings.

Suggested Audit Procedures:

Determine that the municipality purchases investments of the type authorized by law.

Determine that interest is paid and deposited as required by law.

Issuance of Debt and Use of Proceeds

Compliance Requirement:

Section 21-17-5, Miss. Code Ann. (1972), prohibits municipalities from issuing debt without specific authority. Typically, municipal bonded debt is issued by authority of Section 21-33-301; however, separate special purpose authority is also available for bonds and notes. Each debt instrument should be examined to determine its source of authority.

Section 21-33-317 requires bond proceeds be placed in a special fund in the municipal depository, and be expended only for the purposes authorized.

Section 21-33-303 limits a municipality's authority to issue specified new debt. New debt may not be issued in excess of a specified total-debt to total-assessed valuation percentage.

Suggested Audit Procedures:

Determine that statutory requirements related to issuance and accountability of debt for the current year have been complied with.

Determine that bond proceeds are expended as required by examining bond purpose resolutions.

Determine that new debt issuances were not in excess of the total debt limitation, as of the date of the issuance.

Ad Valorem Taxes

Compliance Requirement:

Section 21-33-45, Miss. Code Ann. (1972), and other sections authorize municipalities to levy ad valorem taxes for specified purposes. Section 21-33-47 requires certification and publication of the tax levy. Sections 27-39-320 through 27-39-323 limit ad valorem tax growth in a given tax year and require escrow of excess collections.

Sections 21-33-53 and 21-33-63, Miss. Code Ann. (1972), require municipalities to collect and to sell property for non-payment of ad valorem taxes in the same manner as provided for Mississippi counties. Section 27-41-9 requires interest be collected on delinquent taxes and Sections 27-41-15 and 27-41-59 provide for the sale of property for unpaid taxes.

Suggested Audit Procedures:

Determine that each tax levy is authorized, accounted for and expended as required by law.

Determine that tax was not increased beyond the growth limitation, and, if so, that proper escrow procedures were followed. Prepare a calculation to demonstrate compliance.

Determine that interest was collected on delinquent ad valorem taxes and that tax sales were held.

Other Taxes

Compliance Requirement:

Section 27-17-5, Miss. Code Ann. (1972), requires that municipalities collect a local privilege tax. Sections 27-27-301 and 27-27-303 provide for a vending machine tax to be collected by municipalities. Section 75-85-15 requires municipalities to issue transient vendor license for a fee.

Suggested Audit Procedures:

Determine that these taxes are being collected.

Purchasing and Receiving

Compliance Requirement:

Section 31-7-13, Miss. Code Ann. (1972), requires municipalities purchase their commodities, printing and public construction as provided in this law. Generally, (as of July 1, 2002):

Purchases up to \$3,500 do not require bids;

Purchases over \$3,500 up to \$15,000 require solicitation of two written bids;

Purchases over \$15,000 require solicitation of bids by advertisement;

Specifications must be written in a non-restrictive way (Subsection C);

Lowest and best bid, sole source, and emergency purchase options are available (Subsections D, K and M);

Term contract procedures are available and options when no firm bids are received on petroleum products (Subsections H, I, N, P and Q);

Authority is provided for lease purchases (Subsection E); and

Certain purchases do not require bids (Subsection M).

Other purchasing procedures are described throughout Chapter 7 of Title 31, Miss. Code Ann. (1972).

Suggested Audit Procedures:

Select a representative sample of purchasing transactions executed during the year under audit.

Determine that appropriate bid procedures were followed on each sample item.

Example 8

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

Address

We have audited the general purpose financial statements of _____ as of and for the year ended _____ and have issued our report dated _____. We have conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*.

As required by the state legal compliance audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain state laws and regulations. However, providing an opinion on compliance with state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

For no material noncompliance

The results of those procedures and our audit of the general purpose financial statements disclosed no material instances of noncompliance with state laws and regulations. (If applicable) The prior year findings have been corrected.

For material noncompliance

The results of those procedures and our audit of the general purpose financial statements disclosed the following material instances of noncompliance with state laws and regulations. Our findings and recommendations and your responses are as follows:

(If applicable) The instances of noncompliance of the prior year have been corrected by management unless it is specifically stated otherwise in the findings and recommendations noted above.

The Office of the State Auditor or a public accounting firm will review, on a subsequent year's audit engagement, the findings in this report to ensure that corrective action has been taken.

This report is intended for the information of the City's management and the Office of the State Auditor and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Signed
Date

Example 9

**EXAMPLE OF
MANAGEMENT'S DISCUSSION AND ANALYSIS
(MDA)**

City of _____
Management's Discussion and Analysis
For the Year Ended September 30, 20__
Unaudited

This Discussion and Analysis of The City of _____ financial performance provides an overall review of the City's financial activities for the year ended September 30, 20__. The intent of this discussion and analysis is to look at the City's financial performance as a whole. Readers should also review the basic financial statements to enhance their understanding of the City's financial performance.

Financial Highlights

Key financial highlights for 20__ were as follows:

Total net assets increased/decreased \$ _____ or ____ % from 20__.

Total assets of governmental activities increased/decreased \$ _____, or ____ % from 20__.

Total liabilities increased/decreased by \$ _____ or ____ % from 20__.

In total, equity in pooled cash and cash equivalents increased/decreased \$ _____, or ____ %, from 20__.

Overall, the book value of capital assets increased/decreased by over \$ _____ from 20__.

Using this Annual Financial Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the City of _____ as a financial whole or as an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial conditions.

The Statement of Net Assets and Statement of Activities provide information about the activities of the whole City, presenting both an aggregate view of the City's finances and a longer-term view of those assets. Major fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what dollars remain for future spending. The fund financial statements also look at the City's most significant funds with all other non-major funds presented in total in one column.

Reporting the City of _____ as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains information about the funds used by the City to provide services to our citizens, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 20__?" The Statement of Net Assets and the Statement of Activities answer this question.

These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by the private sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when the cash is received or paid.

These two statements report the City's net assets and the changes in those assets. This change in assets is important because it tells the reader whether, for the City as a whole, the financial position of the City has improved or diminished. However, in evaluating the overall position of the City, non-financial information such as changes in the City's tax base and the condition of City capital assets will also need to be evaluated.

In the Statement of Net Assets and the Statement of Activities, all of the City's activities are reported as Governmental Activities, which include all of the City's services including police, fire, administration, and all other departments. The City of _____ does not operate any Business Type Activities and has no Component units.

Reporting the City of _____' Most Significant Funds

Fund Financial Statements

The analysis of the City's major funds begins on page _____. Fund financial reports provide detailed information about the City's major funds. Based on restrictions on the use of monies, the City has established many funds, which account for the multitude of services provided to the City's residents. However, these fund financial statements focus on the City's most significant funds. In the case of the City of _____, the City's major funds are the General, _____, _____, _____ and _____.

Governmental Funds

All of the City's activities are reported in the governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future on services provided to the City's residents. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

The City of _____ as a Whole

Recall that the Statement of Net Assets looks at the City as a whole. Table 1 provides a summary of the City's net assets for 20____ compared to 20____.

(Table 1)
Net Assets
Governmental Activities

	<u>2000</u>	<u>1999</u>
Assets		
Current and Other Assets	\$ 19,353,998	\$17,190,553
Capital Assets, Net	37,408,958	31,223,863
Total Assets	56,762,956	48,414,416
Liabilities		
Current and Other Liabilities	(19,664,537)	(10,601,033)
Long Term Liabilities:		
Due Within One Year	(1,405,632)	(1,180,372)
Due in More than One Year	(21,941,782)	(22,675,756)
Total Liabilities	(43,011,951)	(34,457,161)
Net Assets		
Invested in Capital Assets Net of Debt	10,608,146	9,237,240
Restricted:		
Capital Projects		7,551
Debt Service	3,621,974	3,952,529
Unrestricted	(479,115)	759,935
Total Net Assets	\$ 13,751,005	\$13,957,255

Total assets increased \$8.3 million. Equity in pooled cash and cash equivalents increased \$1.05 million. Capital assets increased \$6.19 million.

Net assets of the City's governmental activities decreased by \$206,250, with unrestricted net assets decreasing \$1,239,050. Unrestricted assets are not enough to pay liabilities payable from unrestricted assets. This has been identified for the first time by the presentation of the new financial statements. Management will discuss the long-term effect for the City.

The City of _____ is attempting to stabilize certain long-term liabilities such as compensated absences. Over the past few years the City has successfully negotiated various forms of accumulated vacation and sick leave buy backs. To this extent, the employee's may elect to "cash-in" a certain number of hours of these accrued leave balances in lieu of banking them for future use. This program is a win-win situation for the employees and the City. The employee has the option of taking these dollars and investing in the Deferred Compensation Program, which offers many mutual fund options as well as fixed income programs if desired by the employee. The City wins as we are buying these hours of accumulated sick leave at today's hourly rate of pay instead of the employee's hourly rate at some point in the future.

Table 2 shows the Changes in Net Assets for the year ended September 30, 20___. Since this is the first year the City has prepared financial statements following GASB Statement 34, revenue and expense comparisons to 20___ are not available. In future years, when prior-year information is available, a comparative analysis of government-wide data will be presented.

(Table 2)
Changes in Net Assets
Governmental
Activities

	<u>2000</u>
Revenues	
Program Revenues:	
Charges for Services	\$3,513,498
Operating Grants and Contributions	1,283,279
Capital Grants and Contributions	47,607
<i>Total Program Revenues</i>	4,844,384
General Revenues:	
Property Taxes	6,633,648
Income Taxes	9,191,039
Grants and Entitlements not Restricted to Specific Programs	3,184,164
Other	580,445
Total General Revenues	19,589,296
Total Revenues	24,433,680
Program Expenses	
General Government	7,183,714
Security of Persons and Property	9,585,455
Public Health Services	554,561
Transportation	2,086,464
Community Development	296,730
Basic Utility	2,414,706
Leisure Time Activities	1,063,572
Interest and Fiscal Charges	1,454,728
Total Expenses	24,639,930
Decrease in Net Assets	(\$206,250)

The reduction in Net Assets identified in Table 2 was due to expenses exceeding revenues during 2000.

Governmental Activities

Several revenues sources fund our Governmental Activities. Under the accrual basis of accounting, the City Income Tax accounted for \$9,191,039 or 37.62 % of gross revenue; revenues from charges for services and grants and entitlements, such as local government funds, accounted for \$6,492,791 or 26.58 % of gross revenues; and property taxes accounted for \$6,633,648 or 27.44 % of gross revenues. The income tax rate of 2.0% was approved by a vote of our citizens in 1982, which took effect in January of 1983.

On the cash basis of accounting, the City was able to increase its Income Tax collections, through the decade of the 90's, by 60.71 percent, from gross collections in 1990 of \$5,560,655 to gross collections in 2000 of \$8,936,783. The majority of this increase was due to an aggressive economic development program and the development of two commercial districts of the City, these being the Broadway Avenue/McCracken Road Development District and the I-480/Transportation Blvd. Development District. Although much of this development has been accomplished through the use of Property Tax Incentives (such as Property Tax Abatement), the loss in property taxes collected has been more than offset by the increases in the Income Tax collections. Furthermore, the earliest of these agreements are beginning to come to an end, thus the full benefit of this development will begin to be realized by the City within the next few years.

Major expense activities, under the accrual basis of accounting, included: Security of Persons and Property expenses accounting for 38.90 percent of total program expenses, and Transportation accounting for 8.47 percent. The City is committed to providing the basic services that our residents expect.

Although the City has worked very hard on increasing our income tax base by being proactive with new businesses in our City and reducing cost department by department, we still strive to provide a better service at a lower cost per man-hour. The ability of the City to continue to provide quality services without income tax increases rests on City management's ability to keep these costs in line.

The City's Funds

Information about the City's major governmental funds begins on page 16. These funds are accounted for using the modified accrual basis of accounting. All Governmental funds had total revenues of \$24.5 million and expenditures of \$31.3 million. The most significant change in our funds was due to the establishment of the Service Center Note 2000 fund, and the issuance of \$6 million in notes payable for the construction of our new Service Garage Complex. It is important to realize that all short-term notes issued by the City are recognized in the current period as short-term liabilities, and once bonded by the City, they become long-term General Obligation Debt of the City.

The fund balance of the general fund remained relatively constant, increasing by \$203,346, while revenues exceeded expenditures by \$1.5 million. Much of the excess was transferred to other funds. These funds used the transfers for street maintenance, senior citizens programs, and for payment of pension obligations.

General Fund Budgeting Highlights

The City's budget is prepared according to Mississippi law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During the course of 2000, the City amended its general fund budget. All recommendations for a budget change come from the City Finance Director to the Finance Committee of Council for review before going to the whole Council for ordinance enactment on the change. The City does not allow budget changes that modify line items within departments without council approval. With the General Fund supporting many of our major activities such as our police and fire departments, as well as most legislative and executive activities, the General Fund is monitored closely looking for possible revenue shortfalls or over spending by individual departments. For the General Fund, original budgeted revenues were \$16,310,203; final budget amounts were \$17,057,680; and actual revenue collections were \$ 17,370,215. Three major factors contributing to the increase of actual revenues over budgeted amounts were increased revenues for the categories of Intergovernmental, Property and Other Taxes, and Charges for Services.

The City of _____' ending unencumbered cash balance in the general fund was \$283,688 above the final budgeted amount.

Capital Assets and General Long-Term Obligations

Capital Assets

Table 3
Capital Assets at September 30, 20__
(Net of Depreciation)
Governmental Activities

	<u>2000</u>	<u>1999</u>
Land	\$1,291,649	\$1,288,723
Buildings	5,766,893	5,956,929
Improvements Other than Buildings	2,733,831	2,805,714
Vehicle	1,805,071	1,765,463
Machinery and Equipment	1,725,202	1,457,558
Furniture and Fixtures	352,444	301,966
Construction in Progress	6,006,148	271,770
Infrastructure	17,727,720	17,647,510
Total	\$37,408,958	\$31,223,863

The primary increase occurred in Construction in Progress. This construction consists of a 5 building Service Garage Complex. At September 30, 20__, the Construction in Progress total for the complex was slightly over 6 million dollars. Construction of the complex is expected to be completed by mid-summer 2001, with occupancy by the City's Service Department shortly thereafter. The City does not depreciate Building assets during construction. Upon completion and occupancy of the structure, total construction costs will be added to the Building Asset line above and depreciation will begin at that time.

Infrastructure asset additions added in 2000 were due to the development of residential housing sub-divisions. It is important to realize that the City expended no resources for these infrastructure assets. Per the City's subdivision regulations, the developer places all infrastructure improvements within the sub-division and upon completion of the improvement the asset reverts to the City for future maintenance and repair.

General Long-Term Obligations

At September 30, 20__ the City of _____ had \$26,622,000 in outstanding General Obligation Bonds, Special Assessment Bonds, and Notes. The City's overall legal debt margin at September 30, 20__ was \$27,442,309. Table 4 indicates the total outstanding long-term obligations of the City.

Table 4
Outstanding Notes and Long-Term Obligations at Year End
Governmental Activities

	<u>2000</u>	<u>1999</u>
General Obligation Bonds	\$16,815,716	\$17,375,922
Special Assessment Bonds	1,706,284	1,803,078
Notes	8,100,000	2,450,000
Police and Fire Loan	721,874	730,997
Loans Payable	178,812	357,623
Claims	43,258	406,855
Compensated Absences	3,481,470	3,181,653
Total	\$31,447,414	\$26,306,128

The police and fire loan shown in Table 4 above, in the amount of \$721,874, identifies the City's accrued liability incurred when the State of Ohio established the statewide pension system for police and firefighters in 1967. Actual cash demands for this obligation total \$40,094 annually through the year 2035.

The loan payable identified above refers to a financing agreement that the City entered into, with Key Financial Services, in order to finance vehicle purchases in 1999. The original agreement was in the amount of \$357,623, and called for two equal annual payments in 2000 and 2001 in order to alleviate the liability. Therefore, the \$178,812 liability identified at September 30, 20__ has always been a planned, programmed 2001 actual dollar expenditure.

The claims payable identified above refers to the State Workers' Compensation retrospective rating and payment system. This plan involves the payment of a minimum premium for administrative services and stop-loss coverage plus the actual claim costs for employees injured in 2000.

The compensated absences liability identified above refers to the current balance of what has been earned as a termination benefit that will be paid over time as people leave or retire. An analysis of the past two years of pay outs of accumulated banks shows that, on average the City paid out \$115,566 annually for actual compensated absence payments. Additionally, slightly over \$ 479,000 of this liability refers to vacation pay for Security of Persons and Property employees. Under GAAP reporting, this liability must be reported as a compensated absence at year-end, due to contract language to the effect that the employee has “earned” this compensation. The City budgets for this portion of the liability annually, in the current years departmental salary and wages budgets.

Current Financial Related Activities

As is the case with many governmental agencies, dated infrastructure can be a problem, however, over the past 15 years, the City has taken a proactive stance in regards to dated infrastructure and plans to continue this effort of improving infrastructure as the need arises.

Annually the City’s engineer inspects roadways and suggests the worst for repair. Over the past 15 years the City has expended on average \$ 750,000 annually on various roadway maintenance resurfacing projects. The 2001 roadway maintenance program is estimated at 2 million dollars. Additionally, over the past 10 years, the City has converted 2 of the last 3 septic sanitary tank areas, to sanitary sewer service. This development has been accomplished through the use of Federal and State grant funding; the issuance of special assessment bond issues, payable over 20 years by the affected property owners; and the issuance of general obligation debt.

During this same time period, the City has renovated its Justice Center, which houses both the Police Department and the _____ Municipal Court System; has constructed a new Civic Center/Administration Building, which houses our Administrative Offices and our Senior Citizens Programs; a new Fire Station; and is currently building a new Service Garage Complex.

The City has also purchased and paid cash for over 2 million dollars worth of vehicles and equipment over the past 5 years. Some of the items included in these purchases have been: a new pumper truck and ambulance for the fire department; on average 7 new police cruisers per year; 3 new 13-passenger buses for our senior citizen programs; and a variety of pickup trucks, vans, salt trucks, low pro dump trucks, and other road and non-road equipment for our service and recreation departments. New network computer systems for the City’s police department, municipal court system, and main administrative operations were also purchased throughout this time period.

The continuation, and expansion, of the City’s aggressive economic development programs, instituted in the 90’s, is an integral part of the City’s future plans and financial stability. To this extent, the City is concentrating on two major areas of commercial/industrial development, the Broadway Ave./McCracken Road Development District and the I-480/Transportation Blvd. Development District. Both of these districts offer excellent access to the Interstate Highway System via I-480 access from Broadway Ave. and Transportation Blvd. respectively. The residents of the City have been very receptive to this increased development within the City and have shown their acceptance through numerous rezoning issues placed before them throughout the 90’s. The two zoning districts added in the early 90’s to accomplish the City’s economic development plans were U11-A: Office Parks and U11-B: Industrial Parks.

New development and expansion, under the zoning districts identified above, is continuing in the Broadway Ave./McCracken Road Development District. In the fall of 2000 another newly constructed facility was completed in this area and occupancy by the owner took place. Currently, the City is in the process of amassing a 3-acre plot of land through our Land Revitalization Program. This plot will be combined with another 5-acre plot that is currently in the Land Program, to be offered by the City for future development. Another factor that the City expects to increase development in this district over the next 5 – 10 years is the decision by the Norfolk/Southern Railroad to locate a new Intermodal Facility off Broadway Avenue in our sister City of Maple Heights. This facility will be located about a mile and a half from the _____ border. Access to the Interstate Highway system from this location will be via the Broadway Avenue entrance, which is in _____. The railroad began construction of this facility in the spring of 2001 and it should be operational by late fall or early spring 2002.

New development and expansion is also continuing in the I-480/Transportation Development District. Through the 90's, the City's economic development programs were responsible for the development of 5 multi-million dollar Office/Flex Space facilities in this development district. Currently, the first of another two building site is under construction and is expected to be completed by the fall of 2001, at which time the developer expects to begin the 2nd building. Additionally, the City was again successful in rezoning a section of this area from residential to the U11 designation. A developer has now amassed this plot of land for future development, which will become a part of the proposed "Rockside Vista" development project. The local land owner/developer proposed this projected, U11-A: Office Park development during the late 1990's. It involves the extension of Transportation Blvd. through to Rockside Road and will encompass the development of 600 acres of undeveloped land, 200 acres in _____ and 400 acres in our neighboring community of Valley View. The proposed project will entail the construction of 6 million square feet of building space, which will include office, convention, light industry, hotel, and restaurant space. This project is estimated to cost \$ 1 billion-plus dollars, and will be constructed over a 10-year period. At September 30, 20__ the City and developer were awaiting final EPA approval for this project as it also encompasses the reclamation of 200 acres of brownfield landfill property. Subsequent events are noteworthy here. In April 2001, the City and developer were notified that the project has received final Ohio EPA approval, and on May 18, 2001 there was a ceremonial ground breaking ceremony, and the developer set a start date for the beginning of the project for June 2001.

Contacting the City's Finance Department

This financial report is designed to provide our citizens, taxpayers, creditors, and investors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact _____ City Clerk, at _____.